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27 March 2009

Mr Alan Cadd
Managing Director
Informed Sources (Australia) Pty Ltd
Level 1, 1 Gardner Close
Milton QLD 4064

Dear Mr Cadd

Re: Request for access under *Freedom of Information Act 1982*

I refer to your letter dated 2 March 2009 in which you request information about whether the document, 'Further Particulars of Tender', was received by the ACCC and how the contents of this document were considered during the request for quote process for the provision of consultancy services to the ACCC.

I can confirm that the document in question was received by the ACCC on 3 June 2008 and accordingly was considered by the ACCC along with all other relevant information obtained throughout the request for quote process.

Specific reference to the receipt and use of this additional information was made in Documents 5, 7 and 14, which were provided to you under the *Freedom of Information Act 1982*. These documents are attached and the relevant sections highlighted.

These documents clearly identify that the additional information provided by Informed Sources was considered during the request for quote process. However, it was the opinion of the ACCC that despite the information suggesting that the recruitment of the entire field force was possible, there remained considerable risk that this would not in fact be achieved in the short time frame available or that it would not allow for the adequate training of all staff. The ACCC concluded that it would be inappropriate to accept this level of risk for what was a very high profile project.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AW' followed by a flourish and the word 'for'.

Anthony Wing
General Manager
Transport and General Prices Oversight

**AUSTRALIAN COMPETITION & CONSUMER COMMISSION
MINUTE**

OFFICE: Melbourne
TRACKIT No:
FILE REF.:
DATE: 5 June 2008

TO: Brian Cassidy
Chief Executive Officer

Through: Finance Section

C.C: Joe Dimasi

FROM: Anthony Wing
A/g General Manager
Prices Oversight and Monitoring

SUBJECT: Spending Proposal for the Engagement of Consultant to Survey
Grocery Prices

COST CODE: GP G X 3101

Purpose

- To obtain FMA Regulation 9, 10 and 13 approvals for this consultancy which is expected to involve expenditure in the 2007-2008, 2008-09 and 2009-10 financial years.
- To obtain your signature on the attached standard contract for the provision of expert grocery price monitoring services by Retail Facts, a division of the Bailey Group Pty Ltd; the consultant endorsed by the grocery price monitoring project's request for quote evaluation panel. The total contract is \$4.7m (ex GST) for a 2 year period.

Background



The Government announced on 13 May 2008 that \$12.9m would be made available to the ACCC to monitor grocery prices. Whilst no launch date has been specified, the Assistant Treasurer's office has indicated it could be as early as 1 August 2008. The


ACCC project plan therefore requires the website to be ready for launch by 1 August 2008. This is a very short timeframe.

The key risk to grocery surveys is poor data collection by data collectors in the field. Grocery price data collection requires more skilled staff than, say, petrol price data collection. Staff must identify a wide range of products, be able to make correct assessments as to how to deal with items not present, which alternatives are acceptable, and so on.

Consultancy Specification

ACCC staff developed a consultancy specification which outlined the role of the consultant in relation to the overarching grocery price monitoring project. The principal role of the consultant will be to provide the ACCC with monthly surveyed data of retail grocery product prices across Australia. The consultant will undertake price data collection of 500 products from 580 to 600 supermarkets across Australia. It is expected that the consultant will need a field force of up to 600 price data collectors.

To deliver the project, the consultant will:

- Develop a field collection process, and build systems for data management, data quality assurance and analysis;
- 
- Work with the ACCC to develop and evaluate the pilot study and resolve any issues with the collection of data and the calculation of basket prices; and
- Undertake the full survey by 14 July (ie. in <5 weeks) and manage the price data collected, including completion of all necessary calculations to determine the price of product baskets.

The consultant will provide the survey data by an agreed date, in a format agreed to by the ACCC. The survey will then be undertaken on a monthly basis.

The contract is expected to be in place from 10 June.





Start Date: 10 June 2008


End Date: The contract will run to 30 June 2010, with an option for ACCC to extend by up to 12 months at ACCC discretion.

Procurement Process

Given the short timeframes, the Chief Executive Officer and Chief Finance Officer agreed to a Request for Quote (RFQ) process rather than a full Request for Tender via AusTender. On 12 May 2008 the RFQ was distributed to six firms with known survey skills.


The following firms were invited to submit a quote

- Informed Sources
- 
- 
- 
- 
- Retail Facts, a division of The Bailey Group (in turn part of the listed Photon Group).

 The remaining firms' submissions were received by the due date of 23 May 2008.

 Otherwise, submissions were received from:


- Informed Sources, \$2.0m (ex GST)
- Retail Facts, \$4.7m (ex GST)


Evaluation of the quotes was undertaken in accordance with an evaluation plan as determined by the nominated evaluation panel.

The panel was comprised of:

- Anthony Wing, A/g General Manager Prices Oversight and Monitoring (Chair)
- Dr Derek Ritzmann, Principal Economic Advisor, RDB
- Adam Jarvis, Director, Grocery Price Monitoring Section
- Rod Middleton, Assistant Director, Grocery Price Monitoring Section
- Dave Badewitz, Assistant Director, Grocery Price Monitoring Section
- Katie Young, Senior Project Officer, Grocery Price Monitoring Section.

Whilst the panel may appear larger than the norm, this is a potentially high-risk contract which requires a wide range of capabilities to be assessed. Failure to deliver data in the short timeframe, or delivery of data which is of poor quality or incomplete, would leave the ACCC open to substantial public criticism on a high-profile project. The panel brings together relevant knowledge, skills and experience in: contract management, economics, statistics, data handling and systems development, the supermarket industry, and prior involvement in a large field force project for the Commission (namely the GST monitoring of 2000).


The Retail Facts and Informed Sources submissions were considered compliant with the RFQ and within budget.



Informed Sources is a firm that currently carries out petrol monitoring and a small level of work for Franklins. It does not have the required existing field force. Informed Sources proposes to raise and train the entire required field force from scratch. It has previously done work for ACCC (GST monitoring in 2000) and for Woolworths up until 2004, [REDACTED] It proposes a price for two years of \$2.0m (ex GST).

The panel extensively considered the two firms' quotes. It then invited both firms to address the panel – both firms sent their key management teams to Melbourne (led by Alan Cadd, Managing Director for Informed Sources [REDACTED] where the panel was able to interrogate them on their capabilities and proposed methodologies for two to two-and-a-half hours each.

The panel followed up by checking referee reports [REDACTED] Woolworths and the former Director GST Monitoring, ACCC for Informed Sources).

The panel then gave both firms the further opportunity to follow up on the key issues for each identified by the panel, discussed further below.

Assessment

The panel considered that both Informed Sources and Retail Facts have the theoretical knowledge to undertake the project.

However the panel considered Retail Facts current practical experience in undertaking the services required for the project to be an issue of differentiation between the two organisations.

Equally [REDACTED] Informed Sources by contrast would need to recruit and train a significant number of staff in an extremely short time.

The panel felt the latter arrangement represented a significant project risk. In Informed Sources' initial proposal and later at interview with the management team, and despite considerable interrogation on the issue, Informed Sources continued to assert, but with little detail, that they could raise and train an effective field force in so short a time. They noted that they had raised a field force from scratch in 2000 for the GST monitoring.

The panel noted the current requirement was a shorter timeframe and a different labour market; it also spoke to Informed Sources' referee, the former Director GST Monitoring ACCC who whilst saying that Informed Sources did a good job on the GST, expressed doubt as to whether any organisation could raise and train an effective field force in the time given for the present project.

There was significant concern among the panel as to whether this was an achievable realistic approach, including whether such a field force even if raised and given some initial training, would be sufficiently reliable.

As noted previously, the key risk to grocery surveys is poor data collection by data collectors in the field. Grocery price data collection requires more skilled staff than, say, petrol price data collection. Staff must identify a wide range of products, be able to make correct assessments as to how to deal with items not present, which alternatives are acceptable, and so on.

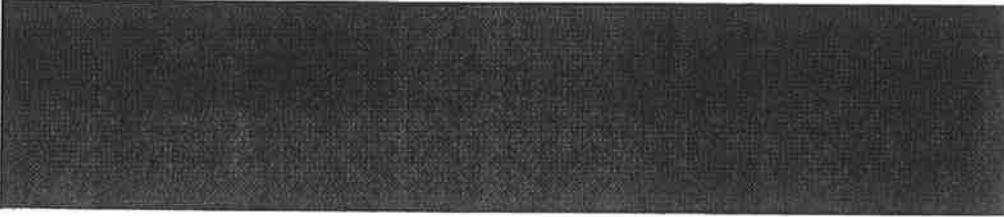
Informed Sources proposal leaves open the real possibility of failing to recruit enough staff in time, or having some poorly trained, inexperienced or poorly performing staff taking part in initial surveys. All of this could lead to serious and criticisable problems with the quality of the data.

Nevertheless, given its lower quote price, the panel went to considerable lengths to allow Informed Sources to demonstrate its capacity to recruit and train a national field force of hundreds of people over a small number of weeks. In light of the panel's concerns it made clear following the meeting with Informed Sources that this was a major concern and invited supplementary information from Informed Sources about its management of the field force matter. The supplementary information did not alleviate the panel's concerns, rather the panel identified substantial additional concerns including that Informed Sources would recruit and train some of its data collectors exclusively by telephone and internet.

At the end of the day, the panel considered there was a significant risk with Informed Sources that it would fail to deliver data in the short timeframe, or deliver data which was of poor quality or incomplete, which would leave the ACCC open to substantial public criticism on a high-profile project.



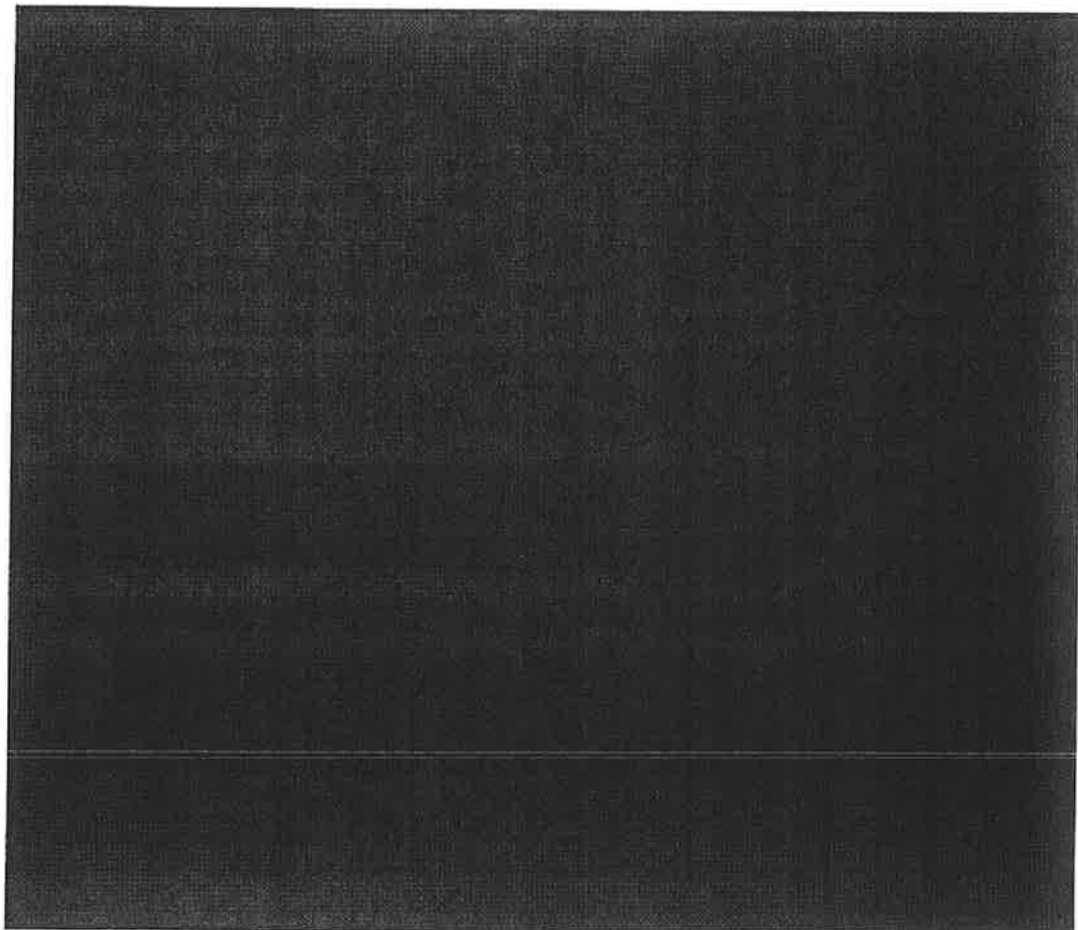
The panel noted that Informed Sources' lower bid may in part reflect a desire to break back into this field, rather than suggesting that Retail Facts' bid is significantly above market.



The lowest quote is not necessarily the best value for money if there is a significant risk of non-performance of the contract.

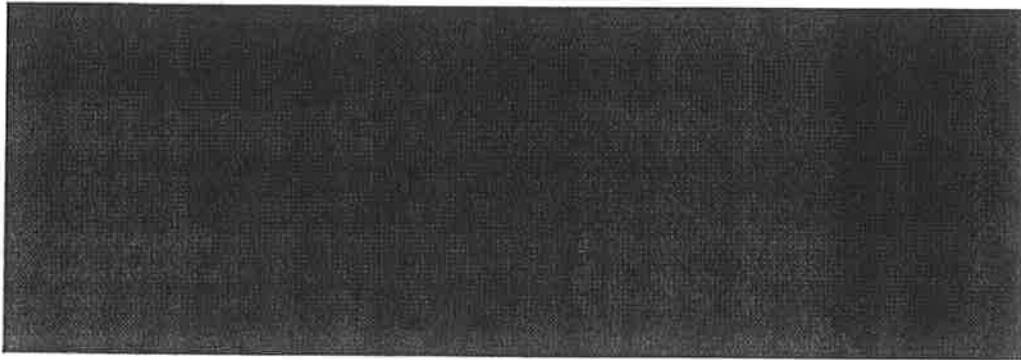
The panel considered in this case that there is a significant risk of non- or poor performance with Informed Sources' proposed approach, and that its quote was not the best value for money.

The evaluation panel proposed the appointment of Retail Facts to undertake the consultancy. A copy of the Evaluation Report is at Attachment B, 



Risk Assessment

The grocery price monitoring project is highly visible and the issue of grocery prices is a key interest of the media. The timeframe to achieve this task is very limited, it is essential that the selected consultant can provide a consistently high standard of service.



Recommendation

In accordance with your delegation under FMA Regulations 9, 10 and 13 it is recommended that you approve this spending proposal to enter into the Standard Contract. The Contract is attached for your signature if you agree.

Anthony Wing
A/g General Manager
Prices Oversight and Monitoring Branch
Ext: 1804

APPROVED / NOT APPROVED

Brian Cassidy
Chief Executive Officer
Delegate
FMA Regulations 9, 10 and 13.

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Evaluation Report of Quotes for the Provision of Consultancy Services to Survey Supermarket Grocery Product Prices for the Australian Competition and Consumer Commission

Purpose

This document identifies the process undertaken to evaluate quotes for consultancy services to survey supermarket grocery product prices in response to the ACCC's request for quote (RFQ) for these services, and the panel's recommendation in relation to the selection of a suitable consultant to undertake this project.

The consultancy services are required to assist the ACCC in its monitoring of supermarket grocery product prices in Australia.

Background

The ACCC's RFQ was distributed to six interested parties with known skills in the area on 12 May 2008 with a closing date of 2:00pm on 23 May 2008.

The ACCC received five quotes in response to its RFQ. The five interested parties were:



Evaluation panel was comprised of:

- Anthony Wing, (Chair)
- Dr Derek Ritzman
- Adam Jarvis
- Rod Middleton
- Dave Badewitz
- Katie Young

Evaluation Plan

Prior to the close of quotes the evaluation panel agreed to a framework for assessing the relative suitability of quotes against the four evaluation criteria identified in the RFQ.

The evaluation plan and evaluation criteria are outlined at Attachment A of this document.

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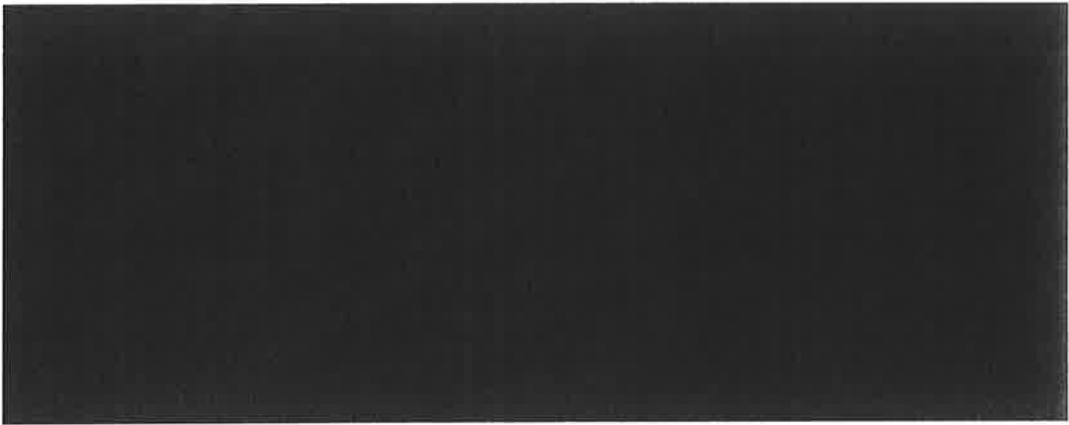
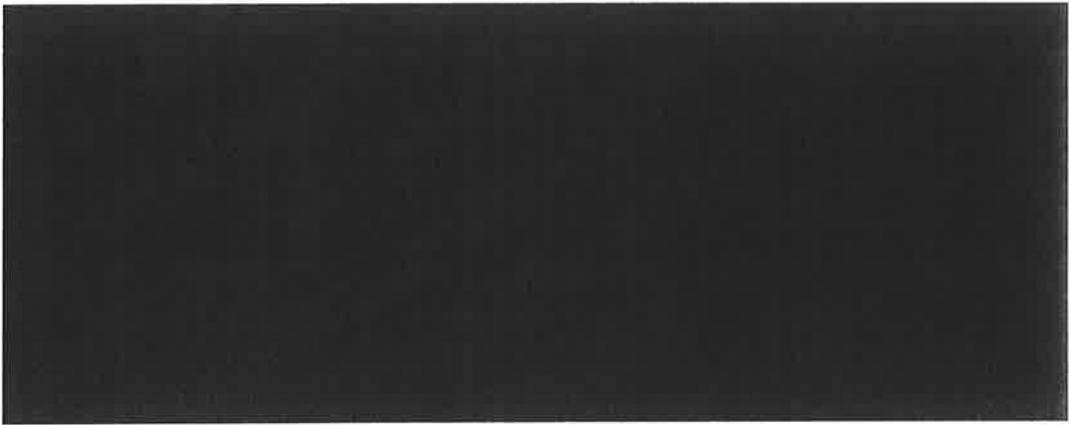
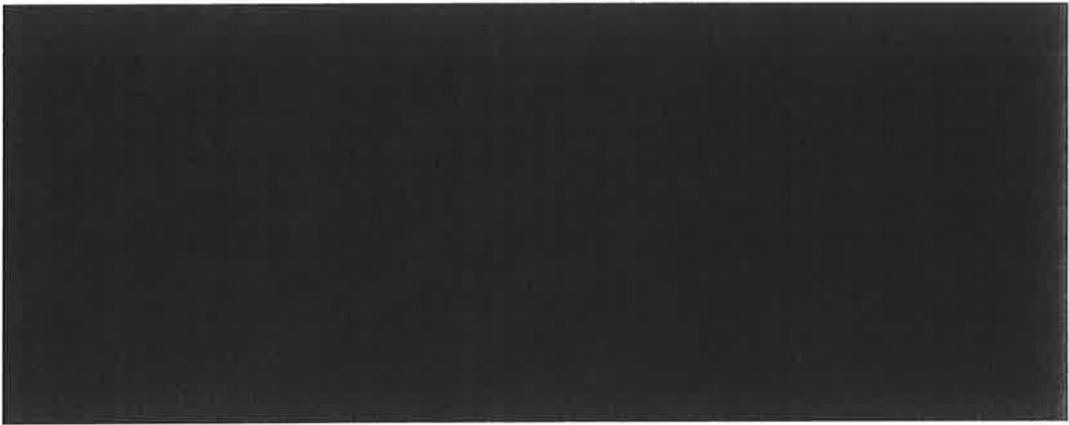
Assessment of Quotes

Each quote was assessed by the evaluation panel against the evaluation criteria and received a rating of low, medium or high for each criterion.

Detail of the evaluation panel's assessment of each quote against the evaluation criteria is outlined below.

Process

The initial meeting of the panel was convened on 27 May to consider the five quotes received. Three quotes were considered not suitable for further consideration on various grounds, as follows:

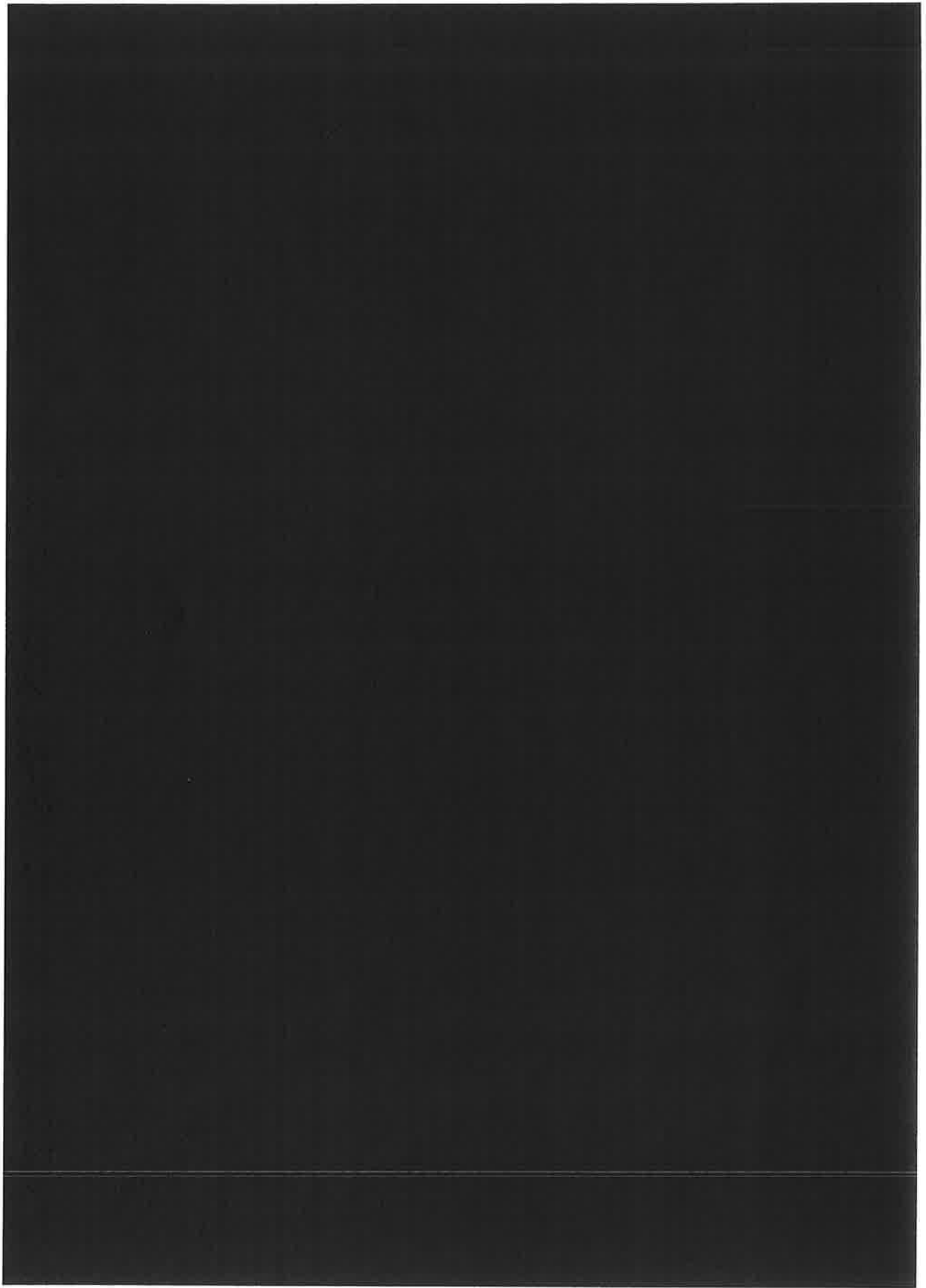
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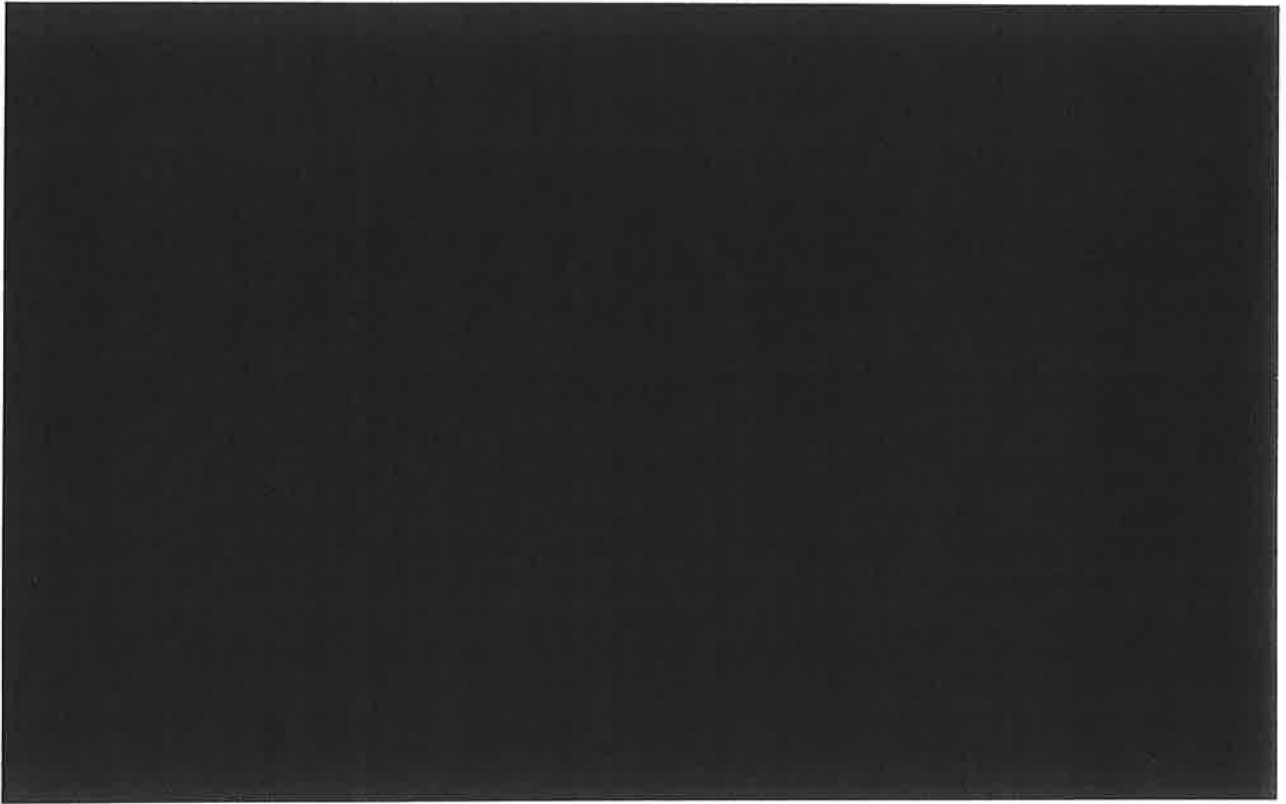
Informed Sources and Retail Facts' bids were both considered for further evaluation on the basis that both bids were within budget and compliant. Both parties were invited to present separately to the panel on Thursday 29 May. Both attended the ACCC offices in Melbourne for about two hours each and answered a series of questions.

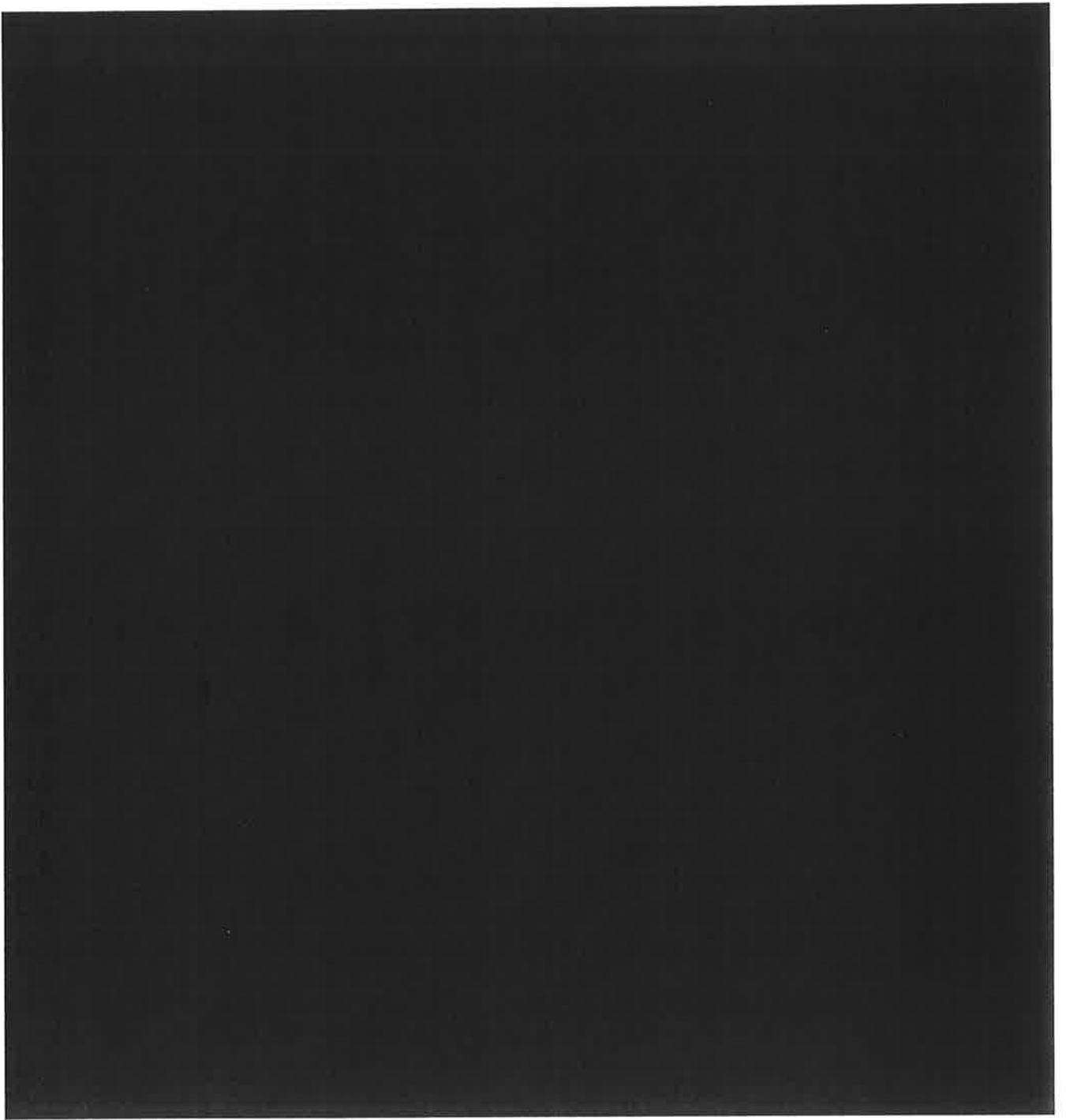
Following this the panel contacted referees.

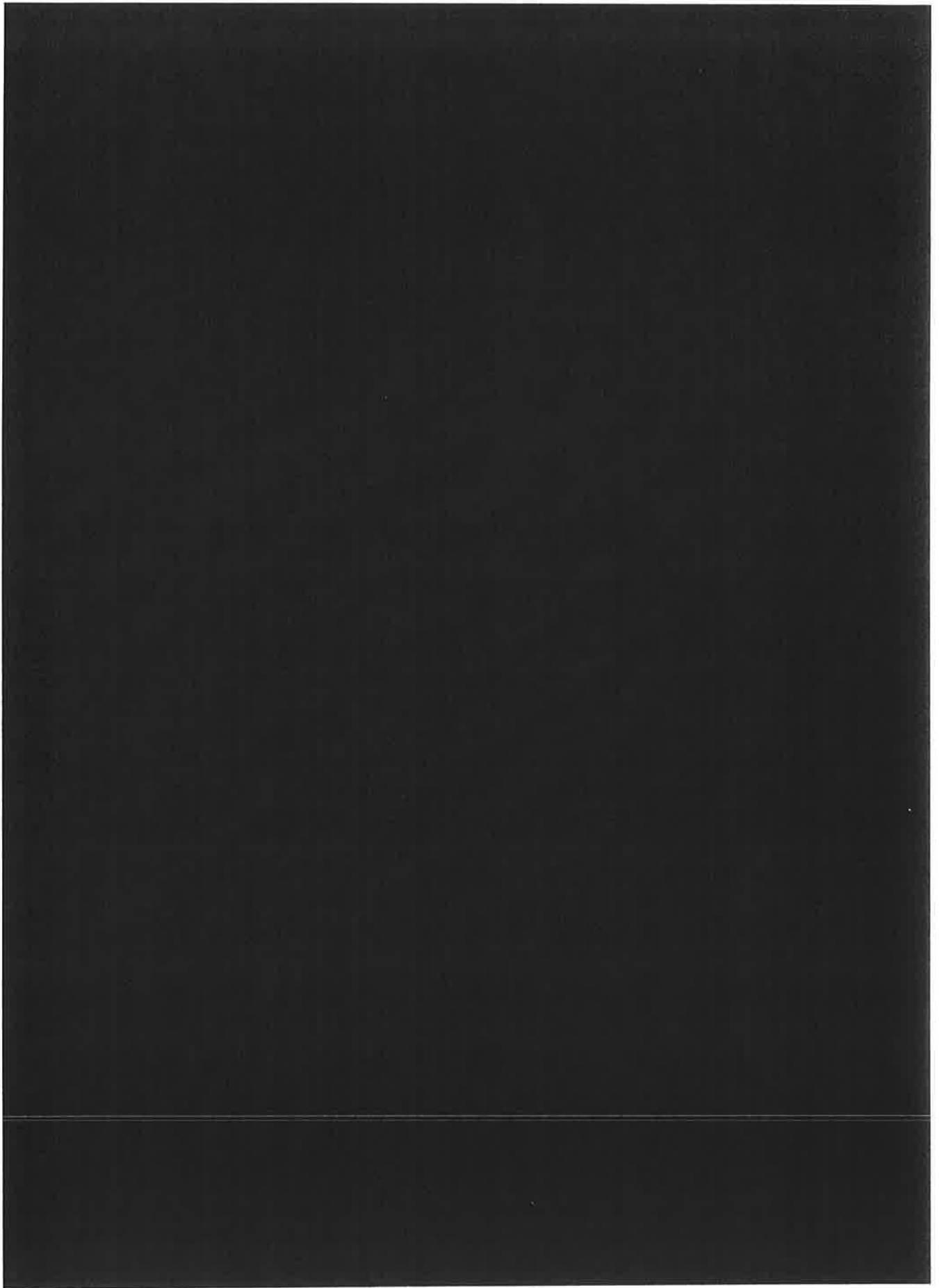
Both parties were contacted separately with supplementary questions and given the opportunity to respond to each of these in writing. Both organisations provided the supplementary information.

The panel took all this information from submissions, interviews and referees into account in assessing the most suitable consultant to undertake this project.









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Informed Sources

Evaluation criterion (EC) 1 - The extent to which consultants can meet the Statement of Requirement, as demonstrated by the previous experience and past performance of the relevant personnel.

Informed Sources has had previous experience in grocery price collection for the ACCC, Woolworths and Franklins. It currently provides this service to Franklins.

The panel considered that Informed Sources had the theoretical and historical practical knowledge to undertake this project.

However, Informed Sources intends to fully recruit the entire field force to undertake this project over a small number of weeks. There was significant concern among the panel as to whether this was achievable and a realistic approach. The panel considers a field force of reliable collectors to be fundamental to the success of this project. Given the short time line there is concern as to whether a newly recruited field force would be sufficiently reliable. The panel also noted that Informed Sources intends to recruit and train some of its data collectors exclusively by telephone and internet, and the panel expressed substantial concern at the adequacy of this approach.

The panel considered Informed Sources' ability to successfully recruit and train a field force as shown in the GST project. However this recruitment and training occurred over a longer time period than this project.

The panel considered the additional information supplied on 3 June, which included more detailed information about their staff recruitment and training plan. However, the panel still had concerns as to the high degree of risk of either non-delivery of a survey or a poor quality survey which would be vulnerable to public criticism, in respect of this high profile ACCC activity.

Rating —Low (due to recruitment risk)

EC 2 - The degree of overall compliance with the RFQ and the Standard Form Contract, including the consultant's ability to identify and manage conflicts of interest that may arise

The proposal is compliant, except for insurance. Informed Sources have indicated that they would immediately increase coverage of their professional indemnity insurance to the requisite level if they are successful in their bid.

Informed Sources has identified potential conflicts of interest and outlined strategies to deal with these.

Rating —Medium

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EC 3 - The degree of overall compliance with section 4.2 of the Statement of Requirement

Informed Sources' proposed methodology was considered by the panel to be acceptable and appropriate. It is noted that all parties need to refine the precise details of the proposed methodology, once receiving the precise product list and supermarket locations and the methodology for deriving basket prices. The panel also assessed that Informed Sources would be able to make these refinements.

Informed Sources intends to recruit new staff for the ACCC project, train them with a different skill-set and avoid any overlap between those staff and other projects. Informed Sources claims this approach enhances confidentiality and states it will have this work-force in place on time. Informed Sources cited its experience in hiring, training and deploying 600 collectors in seven weeks for the GST project.

The approach of recruiting all new staff is viewed as a significant risk to meeting project objectives. Although Informed Sources expressed confidence in implementing this approach, the time frame for this project is considerably shorter than what it had for GST project and the panel believed that this could lead to Informed Sources not being able to meet the ACCC deliverables.

In its proposal and subsequent discussion Informed Sources demonstrated that it had a good theoretical understanding of how to resolve certain issues in relation to grocery price collection. They also identified some relevant issues and operating details on how to effectively collect grocery prices, which shows careful consideration of the specifications for the project.

The timetable provided by Informed Sources indicated that it would meet project timelines. There was some concern as to whether this was realistic given the current absence of their field force.

Informed Sources cite past experience such as grocery monitoring for GST project and their Woolworth's contract as sources of their ability to abate project and delivery risk. While recognizing that Informed Sources met expectations in relation to the GST project, it was felt by the panel that circumstances were different. This was confirmed by a referee (former Director GST Operations, ACCC) who, whilst advising Informed Sources had performed well on the GST project, raised doubts as to whether the field force could be raised in the short time available. Informed Sources' referee from Woolworths, due to company policy, was unable to specifically comment on Informed Sources' performance, but confirmed they had between 1999-2004 undertaken price collection work for them.

The panel considered that the use of PDAs by all price collectors would result in higher data quality. Informed Sources proposed data collection by a mixture of PDAs and paper system. This was a concern to the panel for reasons of data consistency. The panel noted Informed Sources' reasons for its proposed approach, under which not all collectors would have PDAs, as it would not be cost effective for a few

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hours per month over two years and may limit access to supermarkets in regional areas.

Informed Sources showed good understanding of the fact that the systems and reporting will need to be worked through, including rules for missing price data and procedure for validating basket results before posting on the ACCC website. The panel expressed some concern at the absence of specialist statisticians in the Informed Sources team, but Informed Sources provided some comfort in relation to the good level of general numeracy skills within the team.

Informed Sources' quote included a pilot study that was more comprehensive than others and includes all of Australia.

Rating —Medium

EC 4 - Assessment of pricing and any non-quantifiable benefits.

This quote is for \$2.0m (excl. GST); the lowest received.

Members expressed two concerns in relation to this quote. Firstly, that this low price may represent possible 'under-bidding' to obtain the contract, leading to possibly substantial project risk. Secondly, that Informed Sources may not be able to achieve a reliable and complete outcome consistent with project timelines within this budget.

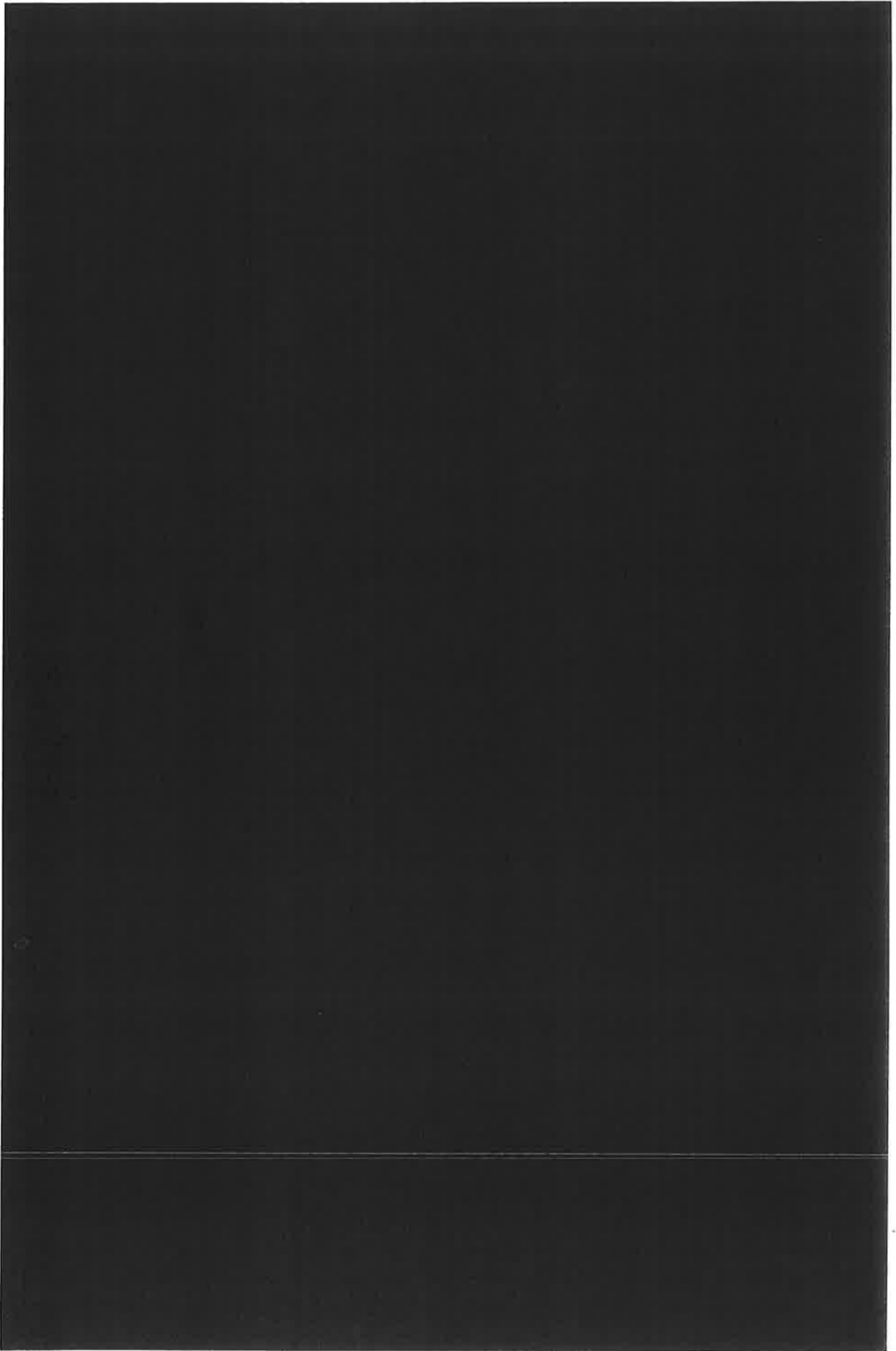
Whilst this is the lowest quote of those which are compliant and by a significant amount, the panel is concerned about the high risk of non-performance, due to issues such as the lack of an established field force and the tight project timeline. The lowest quote is not necessarily the best value for money if there is a significant risk of non-performance.

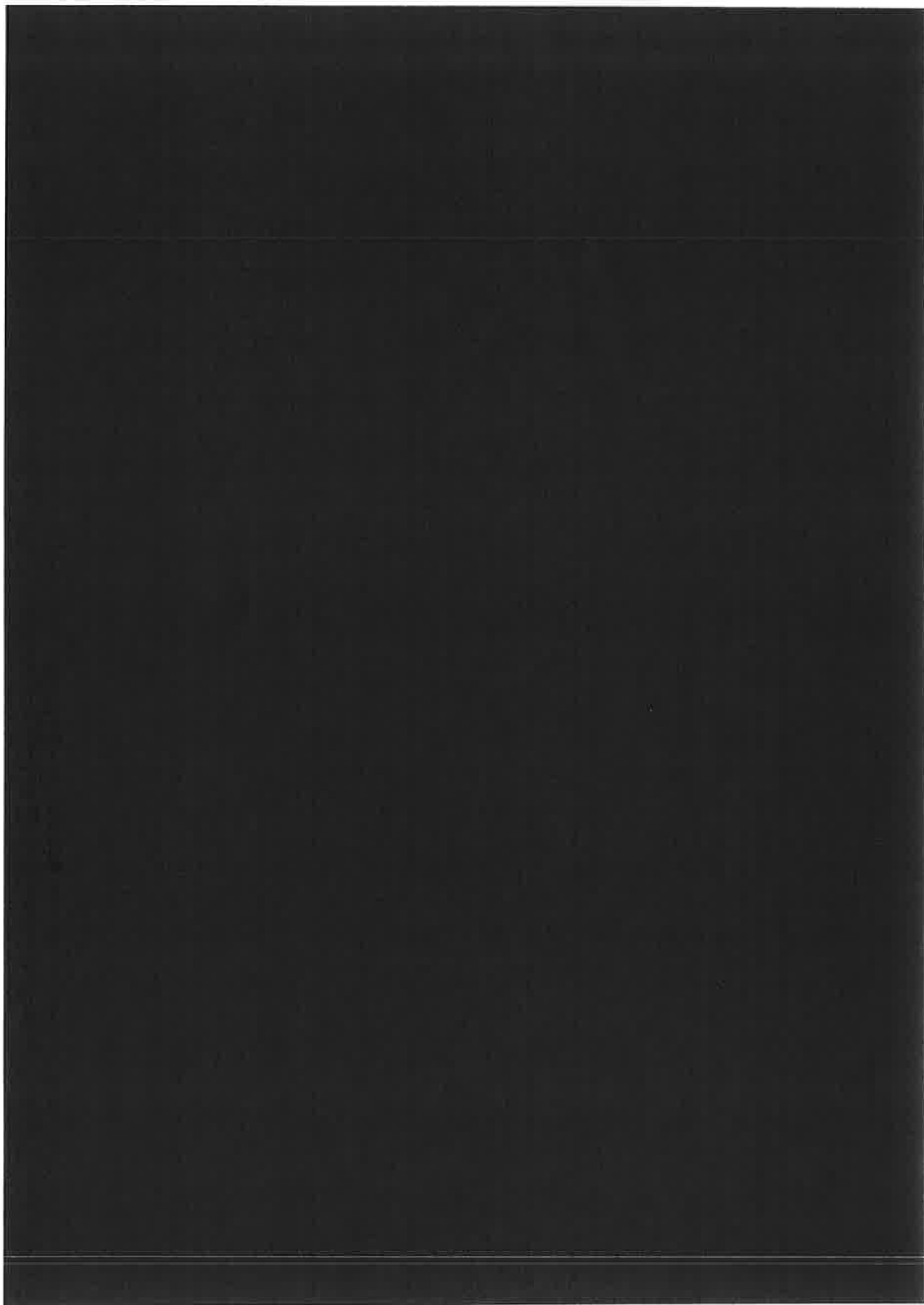
Rating — (on price alone) High / (on value for money) Low

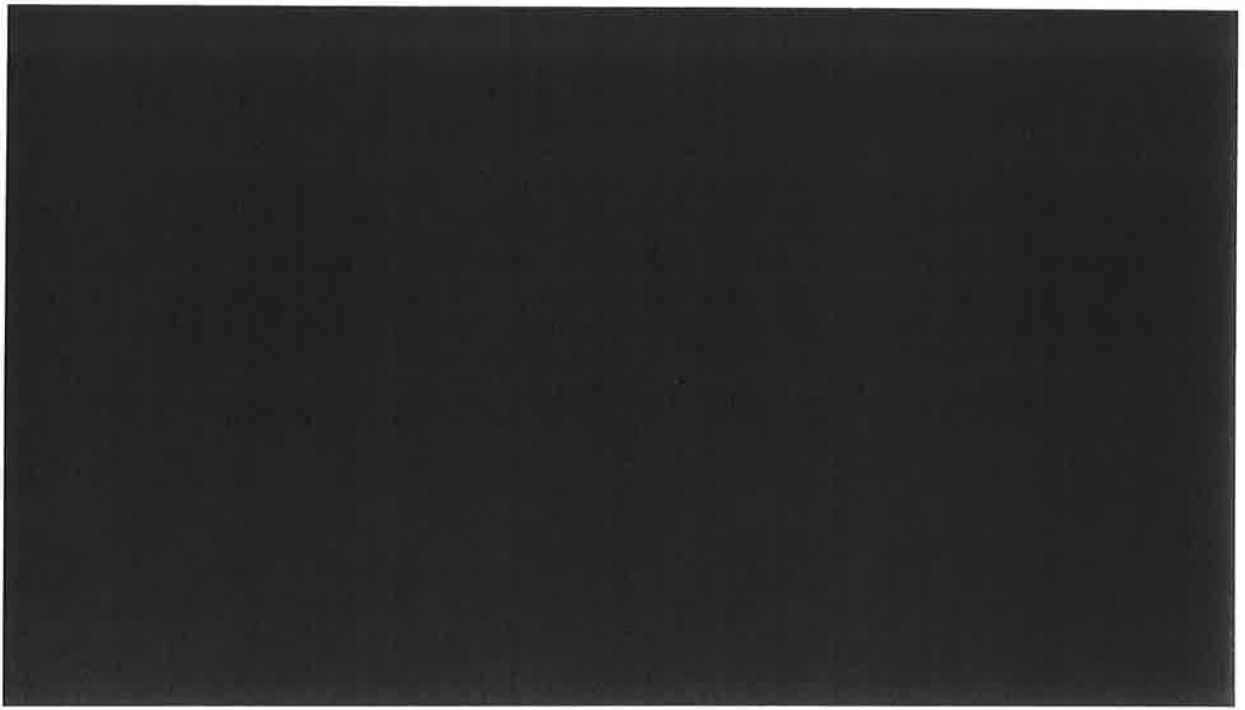
Overall Assessment

Informed Sources was considered to have the required level of theoretical knowledge to undertake the project. However, the absence of an established field force and tight project time line represents a high level of risk in relation to either non-delivery of a survey or a poor quality survey which would be vulnerable to public criticism, in respect of this high profile ACCC activity.

Whilst this is the lowest quote of those which are compliant and by a significant amount, the panel is concerned about the high risk of non-performance. The lowest quote is not necessarily the best value for money if there is a significant risk of non-performance.







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Summary Assessment

Of the five quotes received, Informed Sources and Retail Facts were short listed for further consideration as being both compliant and within budget.

Following consideration of quotes, interviews and referee reports, both Informed Sources and Retail Facts were considered to have the required level of theoretical knowledge to undertake the project. Retail Facts were considered to have the more current practical knowledge.

[REDACTED] whereas Informed Sources would need to recruit and train a significant number of staff in an extremely short time frame, which would represent significant project risk.

While Retail Facts' bid is higher it is considered to fall within the reasonable range for this service. The panel noted that Informed Sources' lower bid may in part reflect a desire to break back into this field, rather than suggesting that Retail Facts' bid is unreasonably high. The panel further considered that the lowest quote is not necessarily the best value for money if there exists a significant risk of non-performance.

Nomination of Preferred Quote

The panel recommends Retail Facts for this project.

Anthony Wing (Chair)
David Badewitz
Adam Jarvis
Rod Middleton
Dr Derek Ritzmann
Katie Young

4 June 2008

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ATTACHMENT A

EVALUATION PLAN – Request for Quote for the Provision of Consultancy Services to Survey Supermarket Grocery Product Prices for the Australian Competition and Consumer Commission

Purpose

This document has been prepared to assist the panel established to assess Request for Quotes (RFQ) for consultancy services to survey grocery product prices in evaluating the relative suitability of respondents against the evaluation criteria.

Background

Section 9.1 of the ACCC’s “Request for Quote for the Provision of Consultancy Services to Survey Supermarket Grocery Product Prices” identifies the evaluation criteria to be adopted for assessing responses.

The evaluation criteria and the information to be supplied by respondents are outlined in the table below.

Evaluation criteria	Information to be supplied
1. The extent to which consultants can meet the Statement of Requirement, as demonstrated by the previous experience and past performance of the relevant personnel.	<ul style="list-style-type: none">• Detailed capability statements and quote response generally – Appendix E• Details of previous assignments undertaken and references – Appendix E• Curriculum vitae of all personnel proposed – Appendix E• Indicative workplan — Appendix H
2. The degree of overall compliance with the RFQ and the Standard Form Contract, including the consultant’s ability to identify and manage conflicts of interest that may arise	<ul style="list-style-type: none">• Statement of Compliance for the RFQ in Appendix C• Statement of Compliance with Standard Form Contract – Appendix D
3. The degree of overall compliance with section 4.2 of the Statement of Requirement	<ul style="list-style-type: none">• Summary of Proposal to comply with section 4.2 – Appendix E
4. Assessment of pricing and any non-quantifiable benefits.	<ul style="list-style-type: none">• Itemised price information as detailed in Appendix F.

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Framework for assessing the relative suitability of RFQ Respondents against the evaluation criteria

In assessing the relative suitability of respondents against the evaluation criteria the panel has agreed that:

- A successful consultant must satisfactorily address all four evaluation criteria.
- The lowest priced response will not necessarily be accepted by the ACCC.
- The ACCC is not bound to accept any of the responses to the Request for Quote.

In terms of the evaluation criteria:

EC1: The panel will require a successful consultant to clearly demonstrate a capability to undertake a monthly survey of grocery prices in line with the RFQ and report the results of each survey to the ACCC in an acceptable form.

The panel will rate a respondent higher against this criterion if they can clearly demonstrate proven experience and success in undertaking data collection, analysis and processing consultancy work. It would also be expected that any claimed proven experience could be verified by the consultants references.

The panel also reserves the right to seek further clarification from references identified by the consultant and from other sources that the panel considers would be able to provide relevant advice.

EC2: The successful consultant will need to comply with requirements identified in the RFQ or reach agreement with the ACCC to vary the terms of the RFQ

The successful consultant will need to comply with all requirements identified in the ACCC standard form contract or reach agreement with the ACCC to vary the ACCC standard form contract.

EC3: The panel will rate a respondent higher against this criterion if they can clearly demonstrate its ability to meet each requirement under section 4.2 of the Statement of Requirement. Experience in **each** of these criteria would also be rated highly.

EC4: The panel will require the RFQ respondents to supply the pricing information specified in Appendix F. The panel will consider the pricing estimates proposed by respondents and in particular what constitutes best value for money, consistent with Commonwealth purchasing policies.