



Australian Government

The Treasury

16 September, 2009

Mr John Hawkins
Secretary
Senate Economics References Committee

Dear Mr Hawkins

GROCERYCHOICE QUESTIONS TO THE TREASURY

I refer to the questions put to the Treasury by the Senate Economic References Committee (Committee) on matters related to Grocerychoice, received on Friday 11 September 2009. The Committee requested that the Treasury provide responses to these questions in advance of its appearance at a public hearing on Friday 18 September 2009 for the Inquiry into the GROCERYchoice website.

Please find attached the Treasury's written responses to the Committee's questions. I look forward to further discussing matters related to this Inquiry on Friday.

Regards

A handwritten signature in black ink, appearing to read 'SK', written over a large, stylized flourish that extends downwards and to the right.

Steven Kennedy
General Manager
CCPD
Competition and Consumer Policy Division

Questions to Treasury

- How much money was allocated for consultancies in relation to branding or logos for the GROCERYchoice website?
 - For the initial establishment of the Grocerychoice website, the ACCC is the most appropriate party to answer this query.
 - Following the transfer of operation from the ACCC to the Treasury, Getronics (under contract with the Treasury) was paid \$95,977 (GST inclusive) by the Treasury to 'reskin' the website to reflect its new management by CHOICE.

- Treasury stated in Estimates hearings that 5 November 2008 was the critical date on which the Government decided to transfer responsibility for the website from the ACCC to Treasury. Could you provide details – i.e. chronology of occasions of advice, as well as the nature of the recommendations - of the Treasury advice to the Government that led to that decision?
 - The Government made a decision on 5 November 2008 to approve transfer the Grocerychoice function from the ACCC to the Treasury, under section 32 of the *Financial Management and Accountability Act 1997*. The section 32 transfer of function documentation was signed by both the ACCC and the Treasury on 19 December 2008, and took effect on 5 January 2009.

- Did Treasury receive any direct advice, criticism or feedback from grocery retailers, industry stakeholders and/or consumers during the time that GROCERYchoice was operational (both under the ACCC and CHOICE)? What sort of issues and concerns were raised? How did you respond to these issues? Did you ever meet directly with stakeholders to discuss these concerns?
 - The Treasury received copies of correspondence between CHOICE, the Australian National Retailers Association (ANRA) and Minister Bowen's office in late April 2009.
 - The Treasury also attended Roundtable meetings between key stakeholders on 30 April 2009 and 26 June 2009.
 - Both the correspondence, and Roundtable meetings discussed concerns around the implementation of the Grocerychoice website.
 - The Treasury did not separately meet with stakeholders other than Choice.

- When did CHOICE first approach the Government with the offer to take over GROCERYchoice? When did they first provide the Government with a detailed

business plan? Can you provide copies of the business plan and the contract the government eventually put in place with CHOICE?

- CHOICE approached the Government in August 2008 with a proposal to take over Grocerychoice. A further, detailed proposal was provided to Government in September 2008.
 - Following initial discussions with the ACCC, the Treasury was provided with copies of CHOICE's proposal documentation. This documentation was provided by the Treasury in response to Budget Estimates Question on Notice bet 106 on 11 September 2009.
 - The contract entered into between the Treasury and CHOICE was also provided by the Treasury in response to Budget Estimates Questions on Notice bet 102 and bet 107 on 11 September 2009.
- Could you please explain in detail the key performance indicators that were included in the contract with CHOICE?
 - Detailed information on the key performance indicators included in the contract with CHOICE can be found in Schedules 1 & 2 to the contract between the Treasury and CHOICE, provided by the Treasury in response to Budget Estimates Questions on Notice bet 102 and bet 107 on 11 September 2009.
- Re: the transfer of the contract to CHOICE, in your evidence at Senate Estimates, you stated that CHOICE had offered a 'value for money' proposal to take over the website, with no need for any additional further top-up in funding. How did CHOICE demonstrate to you that no further requests for funding would be forthcoming, given that they had committed to provide much more information than was available on the original GROCERYchoice website?
 - The contract between the Treasury and CHOICE provided for a maximum funding amount of \$8.0 million (GST inclusive).
 - CHOICE was obliged to deliver services which met the Australian Government's objectives as set out in Schedule 1 of that contract.
 - CHOICE was not entitled to seek additional funding amounts to deliver its services.
- The press release issued by the Assistant Treasurer on 22 December 2008 referred to the new arrangements for the website through the contract with CHOICE. It stated that CHOICE would add enhanced information and features, including publication of

weekly grocery prices and publication of basket prices for individual supermarket locations – *subject to satisfactory supermarket co-operation*. Were you at all confident at that stage that the supermarkets would agree to cooperate? Why or why not?

- As stated in CHOICE’s proposal documentation, its proposal was conditional upon supermarket cooperation.
 - “CHOICE will not continue with the service if a reasonable level of cooperation for direct price input from the supermarkets cannot be achieved and the service is only able to operate with its present data gathering scope.”
 - CHOICE also stated that a key part of its proposal was the management of any risks of this occurring through its engagement strategy with supermarkets.
 - “... CHOICE would engage directly with all the major interests in the supermarket industry and independent experts to optimise opportunities and manage risks in the services [sic] further development.”
 - The Treasury was satisfied that CHOICE would put in place appropriate risk management strategies to secure its proposed improvements to the Grocerychoice website.
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- You said in previous evidence to the committee that Treasury had explored some other options regarding possible organisations that might have been capable of taking over the website? Which organisations were they?
 - A preliminary exercise examining the alternatives available in terms of the kinds of grocery information was conducted. These alternatives were not further considered.
 - What sort of mechanisms had you put in place to ensure that the prices put up on the CHOICE-run website were going to be accurate? Did you have any way of verifying the integrity of the data to be published?
 - The procedures put in place to ensure the accuracy of data presented on the website, up to and including June 2009, are set out in Schedule 7 of the contract provided by the Treasury in response to Budget Estimates Questions on Notice bet 102 and bet 107 on 11 September 2009.

- Under its contract with the Treasury, from 1 July 2009 onwards CHOICE was required to ensure that price data displayed on the Grocerychoice website was subject to independent verification.
- Could you provide details of all the subcontractual arrangements that were also in place in relation to GROCERYchoice - e.g. to the data collection company – Retail Facts (\$900,000 contract) and the IT provider – Getronics (\$440,000 contract)?
 - Each of the contractual arrangements entered into by the Treasury with CHOICE, Getronics and The Bailey Group (trading as Retail Facts) respectively has been provided in response to Question on Notice bet 102 on 11 September 2009.
- Can Treasury release its analysis of the cost impacts of the CHOICE proposal to gather information for weekly price reporting of products?
 - CHOICE’s analysis of the respective costs and benefits of each of the proposed alternative data collection arrangements to support the Grocerychoice website from 1 July 2009 can be found in the document entitled ‘Contingency Options Overview’ provided by the Treasury in response to Budget Estimates Question on Notice bet 106 on 11 September 2009.
 - CHOICE’s option for weekly ‘specials’ information was costed by Freshlogic, a CHOICE sub-contractor, at \$12,000 to set-up, and \$45,000 for 12 weeks of data.
- What advice did Treasury provide to the Minister prior to his meeting on 26 June 2009 with the stakeholders involved in GROCERYchoice? Did Treasury have representatives present at this meeting?
 - As manager of the Grocerychoice contract, the Treasury provides advice to the Minister on matters related to the Grocerychoice initiative.
 - Representatives from the Treasury were present at the meeting on 26 June 2009.
- Having terminated the contract with CHOICE, have you sought any legal advice given that CHOICE has suggested it may pursue legal action against the Government?
 - The Treasury’s legal advice on all matters related to the Grocerychoice contract is subject to legal professional privilege.