

## NO SUCH THING AS FAILURE

by John Barker

In an incident described by Gunther Wallraf when he had infiltrated the Springer newspaper empire and worked on the *Bild* newspaper, its best-selling tabloid,<sup>i</sup> a lorry driver, Johann was set up to be the boss of 320 people. The upshot is that he has “to admit: A boss’s life is no bed of roses.” At first he smokes a cigar and has coffee made for him, no problems. But then he just can’t cope: three phones going, problems to be sorted, decisions to be made, it’s all too much. The story was published<sup>ii</sup> though in fact, none of it happened. For one thing there were only two phones in the designated office. The reporter who signed the article - Pichel – was not even at the scene on the day in question. The Springer photographer who drove out from Essen told Johann, when he asked who was going to write the report: ‘It’s already been written’” In fact the real-life Johann was given 10 minutes to demonstrate to *Bild* what a boss’s life is like. And this Johann says was after the office staff had gone home, and an attractive secretary from another branch was brought into pose on his lap.

It’s an old story, but what prompted this set-up is repeated over and over. Many of us have no desire to be professional managers, and are besides– often in tough circumstances - ‘managing’ everyday, but the story is a necessary justification for an elitist view of the world. It is a view of the world which capitalism and its protectorate depends on, people in general are simply not competent to make decisions, especially when the decisions themselves depend on mastery of specialized knowledges too complex for public scrutiny. Such a situation is that feared –and seen as a possibility – by the writers of the Scottish Enlightenment. It was one which would not encourage a critical public, and by doing so would be likely to act irrationally. Or rationally only in the interests of private profit. Interests necessarily with their own agendas.

The *Bild* story has been repeated recently in the form of bonuses for bankers being in everyone’s interest,<sup>iii</sup> but it is also at the heart of the government’s increasing use of privately interested consultants with profit to themselves of primary importance. They make a special claim for specialized competence, while income from government contracts becomes a major source of total incomes for such consultants.<sup>iv</sup>

These consultants are ‘global players’ which make substantial profits for themselves and who always advise in the interests of capital in general. They can be roughly divided into the designer-consultants for government IT systems, and those whose brief is privatization, outsourcing, and a general increases in the intensity of labour. Often there is a cross-over, or alliances are made. Who then are these ‘global players? Most well known is McKinsey, but also significant are the Big Four Accountancy ‘partnerships’, PriceWaterhouseCoopers(PWC); KPMG; Ernst & Young which has joined forces with IT consultants CapGemini to form the kind of cross-over described above); and Deloitte Touche.<sup>v</sup> The consulting arm of the former fifth such firm, the Enron-disgraced Arthur Anderson, did a Windscale-to-Sellafield name shift and is now Accentua. EDS with several IT system overspends and failures to its name has in similar fashion become HP Enterprise Services; Fujitsu, IT systems ‘specialists’; Capita; Siemens Business Services. PA Consultancy has rather lost its shine after losing the memory stick containing the details of 84, 000 prisoners.

They have done especially well under New Labour with its perverse psyche of elitism combined with insecurity, while carrying a banner of Efficiency, or “effective delivery” as it’s now called.<sup>vi</sup> Elitist because cowardly buffoons like Jack Straw believe that their own superiority entitles them to be where they are, but who, because their backgrounds are student union and/or media, are in awe of heavyweight managerialism which is, to say it again, highly profitable. In addition there is what C. Wright Mills called a revolving door of personnel between government and the heavweights of capital and those who service its working at the highest level. In his day, in the USA, they were from Wall Street law firms and banks. Here under New Labour, many of them are from global consultancy firms. The door swings also in reverse. Lord Warner for example, a health minister till December 2006 but who has advised PA Consulting and Deloitte, both in receipt of Department of Health consultancy contracts.

Between these firms there is also a revolving door of government contracts. Thus when EDS along with Accenture was dumped from the Inland Revenue’s<sup>vii</sup> “Aspire” rolling 10 year contract it was replaced by Cap Gemini-Ernst& Young, BT, and Fujitsu in 2003. This despite Fujitsu having been the main player in the magistrates courts’ Libra project at the same time, one described by the chairman of the Public Accounts Committee as “one of the worst IT projects I have ever seen. It may also be the shoddiest PFI project ever.” Fujitsu had ‘run rings’ around officials. In this case the cost had risen from an initial £146million to £390m.<sup>viii</sup>

This case is indicative of what has happened with so many such projects and invites a critique of such consultants on their own terms, that is of efficiency defined both in cost-benefit terms and in its own boasts of ‘effective delivery’. A National Audit Office Press release of 15<sup>th</sup> December 2006 declared ““It is not possible to make an overall assessment of the benefits that have resulted from the money spent on consultants, partly because departments rarely collect information on what has been achieved.” No league tables here then! Now way of measuring “effective delivery”! In 2007 The Information Officer of the Department of Works and Pensions, Joe Harley, noted that seven in 10 government projects had failed. The Aspire project has not –as far as we know when repeatedly we don’t know– failed, but by 2009, had risen to £8.5 billion from the £3.5billion planned when the contract was awarded in 2003. CapGemini’s profits are expected to rise from £600m to £1.2bn, and the contract has done wonders for its share price.

At the same time it has been unable to shake-off Accenture<sup>ix</sup> who had lost the contract in 2003. They had up to that point been developing a replacement National Insurance Recording System (NIRS2) but in 2006, three years afterwards they were still at the Inland Revenue/HMRC, their system being so complicated, and when it was conceded that they was locked into into Accenture for the foreseeable future. This explodes the myth, as Tony Collins of *ComputerWeekly* puts it, “That the government can replace any supplier in a competitive bid if it really wants to.” A myth promoted by the only ‘watchdogs’ on offer, The Public Accounts Committee and National Audit Office who congratulated the Revenue for proving it was possible to remove an entrenched supplier, EDS being the example, without mention of Accenture who, because it was a PFI deal, also kept the intellectual property rights of the system. None of this has prevented Accenture from winning a contract in October this year to analyze the UK’s readiness to adopt smart grid technology.

Profits have been made from most government departments, DEFRA, the Home Office, Education, Works and Pensions, and Defence, but the present gold mine is the consultant-battered National Health Service. Once again it is in the IT sector that the most spectacular not-efficiencies have taken place. The NPfIT (The NHS's National Programme for IT) is a grisly saga of over-expenditure and failure which includes – as sub plots – revolving door personnel and the undermining of another myth, that it is the consultants who take the risks of failure which, in a pre-emptive strike, its PR, says is putting consultants off from government contracts.<sup>x</sup> In this instance it is once again Accenture who are involved. The costs of the project have risen from £2.3 billion to £12.4 billion with estimates that it may rise as far as £20bn. This cost should have been lessened by the contracts signed by the IT providers making them liable for large sums if they withdrew from the project. But when Accenture withdrew in September 2006 NPfIT's Director General Richard Granger who had worked for Accenture when it was still Arthur Andersen, and had previously been a partner at another big player, Deloitte Touche, charged them £63m instead of the £1 billion the contract permitted.

Several others of the club also have profitable relations with the Department of Health.

\*Capita: with a variety of contracts in the millions got a new one to develop “NHS Choices” (worth £80m) – with some standard flim-flam “a focus on innovative engagement with citizens”, - despite having been accused of serious shortcomings in its criminal records bureau contract, one worth £ 400m over ten years.

\*CapGemini: £3.2 million in 2007-8 for management consultancy for the department, and for whom the notorious Lord Birt has been an adviser since 2006

\*PA Consulting with Lord Warner on board: £4.9m from the department in 2007/8

\*Deloitte with Lord Warner on board: £3m in the same period.

\*Old friends EDS who lost the contract<sup>xi</sup> to provide the NHS with email; who threatened to sue, but then reached an amicable and secret arrangement with the government.

\*KPMG: In 2003 it was investigated for its role in the proposal for a flagship sell-off of £400m worth of NHS property with a likely loss of £100m to the taxpayer. This when they had done auditing work for the two successful bidders. This crude conflict of interest has not stopped it taking £30m in fees from the Department of Health in the period 2004-9. Now it has won a contract to review NHS IT. On this contract, as the persistent Tony Collins of *Computer Weekly*, has discovered there are contradictory coynesses on whether this contract went out to open tender. Everything is now helped by KPMG having recruited Mark Britnell, the very man who was the Department of Health's director general for commissioning and systems management. He has become a partner and its new head of Healthcare Europe. With a brazenness it knows it can get away with, KPMG's Alan Downey said: “We are not remotely interested in connections, the idea that you hire people to open doors is nonsense.”

\* McKinsey, them most of all. They have produced a variety of reports for New Labour on foundation trusts and how to introduce private companies to advise PCTs (Primary Care Trusts) to give contracts to diverse providers. It was they who were paid to do the original feasibility study for the NPfIT. Since then, from September 2005, Sir Michael Barber has become a partner. He had been Tony Blair's chief adviser on

“delivery” – focusing on education and health from 2001 until this same September 2005. And now, in their primary role as Management consultants in the interests of capital, their recent report – leaked to the *Health Service Journal* in September of this year – proposes cutting the NHS budget by £20 billion and reducing the staff by 10%, 137,000 jobs. This in addition to selling off yet more public space, that is hospital estates. Annual cuts though would be focused on reducing ‘unnecessary’ operations; cutting hospital after-care time; and most of all by increasing staff ‘productivity’. This means fewer staff to do the same work, an increase in the intensity of labour. We know from the privatization of cleaning services the pincer movement that will follow. A reduced staff/patient ration will produce *Bild/Sun* type stories of patient neglect as if this had nothing to do with their equally strident cries for “efficiency.”

If it were not for the leak, none of this would be known. But neither unions nor the public at large were in line to see the 100 page report on the grounds of ‘confidentiality.’ This is typical of the government-private profit consultants business. In 2005 the Office of Government Commerce released details of the 10 IT projects found to be most at risk, but kept their identities secret. Changes to payment by the Ministry of Defence to EDS in August 2006 were kept secret because the details were ‘commercially sensitive’. The supposed system of checks are ‘Gateway’ reviews, but the Public Accounts Committee is still asking for them to be published. This lack of transparency has meant that even when the reviews are critical they have often not been taken seriously. When in June of this year 31 such reviews were published relating to the NPfIT, it revealed that many of the problems identified by previous reviews were not acted on. “Effective delivery” then has proved to be a very expensive business, and the weakness of parliamentary democracy is revealed by the failures of the official watchdogs, the Public Accounts Committee and the National Audit Office. Transparency and accountability are preached to the rest of the world, but here confidentiality rules. It allows for that irrational wastefulness predicted and feared by the Scottish Enlightenment, one magnified by the primacy of private interest profitability.

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<sup>i</sup> “The Undesirable Journalist”: Gunther Wallraf: Pluto Press 1978

<sup>ii</sup> *Bild*: 13<sup>th</sup> April 1970

<sup>iii</sup> Conservative peer and Vice Chairman of Goldman Sachs International’s recent speech saying that the British public should “tolerate inequality as a way to achieve prosperity for all.” Followed up with a standard rap to the effect that if bankers didn’t get huge bonuses (which he called “compensation in an internationally competitive market”), banks and bankers would up sticks and move to Switzerland or the FarEast.

<sup>iv</sup> The Management Consultants Association itself has reported that spending for external consultants in the public sector is outstripping growth in other sectors.

<sup>v</sup> The first two of these know which way the wind is blowing and have contributed half a million each to the Conservative Party

<sup>vi</sup> The Independent of 19<sup>th</sup> August 2005 reported that fees for outside consultants had increased by 600% since New Labour came to power.

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<sup>vii</sup> Now called HMRC, Her Majesty's Revenue and Customs, a merger of Customs and Inland Revenue which was consultant engineered. As for EDS they seem to weather every expensive disaster like the Child Support Agency failure, and failures in various Ministry of Defence payroll systems

<sup>viii</sup> This was a very rare occurrence for the PAC, to be able and willing to nail a specific accusation.

<sup>ix</sup> Which has a history of in-time contracted systems for state governments in the USA and the province of Ontario

<sup>x</sup> This articulated by Georgina O'Toole of Ovum Consultants: "the issue of risk has become so great that suppliers are no longer willing to become prime bidders for government contracts." Ovum it should be said are themselves beneficiaries of the NPfIT gravy train

<sup>xi</sup> A contract won *after* the Child Support Agency debacle.