



## Check Against Delivery

### Senator Barbara Pocock

#### Money for Nothing: Big Consultants and the Future of the Public Sector

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I pay my respects to Ngunnawal and Ngambri people – elders past and present, and the particular pain right now for First Nations people all over the continent.

Why I'm in the parliament – because of the climate crisis. For me there is no economic justice on a dead planet – no gender justice, no First Nations justice.

There has been NO good news on the climate catastrophe that is unfolding – and the government continues to open and extend coal and gas, fuelling that catastrophe. Future generations will hold us to account.

**There can be no argument that our country faces many big challenges.** Many of them will cost a great deal of public resources – costs that we can only guess at, many of them unknown:

- dealing with the unpredictable consequences of climate change – fires, floods, storms, drought, massive changes in weather patterns,

- of future pandemics and health crises,
- of improving First nation's services in ways that close the Gap,
- and, of funding the care systems we need,
  - whether for aged care, disability, childcare and funding decent pay for carers,
  - along with paid leave for new parents.

**A Revenue Summit is unsurprisingly focussed on generating revenue to meet these needs.**

And lets face it there are very lucrative revenue pools available to Labor – especially if it wants to narrow inequality, fix the housing crisis or ensure our defence spend gives us practical options that are value for money.

A government aiming for these things would dump:

- **Stage 3 income tax cuts** – which will cost **\$313 billion** over 10 years
  - 65% of the benefits of those cuts flow to men and more than half the benefits go to the top 10%;
  - Stage 3 tax cuts put inequality into hyperdrive.
- **The Capital gains tax discount on housing** – which cost the budget **\$7.6 billion** in 2023-24
  - 85% of the benefits go to the top 10% of earners over the next 10 years
- **Negative gearing deductions** – which cost the budget **\$4.8 billion** a year

Together these two tax concessions would take the heat out of the housing market and – if put to good use building social housing – would help millions of Australians for whom housing is now so out of reach.

- **Then there are the nuclear-powered Submarines** – the govt is talking about **spending half a trillion dollars** on nuclear subs –
  - machines that many defence experts say will make us less safe and stir tensions in the region - and which are highly likely to – if

they come off – cost us a great deal more than this half trillion estimate.

**However, there are other ways to meet our nations' needs in times of crisis and change. Beyond revenue, we can get our spending right.**

Our needs can also be met by the redistribution of expenditure, and its this side of the revenue equation that I want to spend my few minutes on.

**I came to the senate a refugee from the University** research community, where I faced many layers of competitive evaluation on the way to winning modest grants – at best usually a few hundred thousand for several years research – grants that were subject to multiple levels of probity and audit. Try and spend \$20 of an ARC grant without a receipt - you won't get far.

The climate catastrophe brought me here – but in politics you have to surf the wave that is coming at you. Who knew that would be the extraordinary behaviour of Big Consultancies ranging from their voracious, and aggressive behaviour in assisting multinational firms avoid tax – to the extraordinary and unaccountable farming of the public dollar to line their own pockets – especially those at the top of the Big Four tree – those earning millions of dollars a year in opaque partnerships, replete with conflicts of interest that are aggressively harvested where personal gain trumps the public interest at every turn.

**I am shocked every day. I want you to share my outrage. May it fuel change.**

We are looking at state capture on a massive scale, one that makes the international texts on what Mariana Mazzucato and Rosie Collington have called the Big Con pale into insignificance.

There are many books to be written about the Australian experience of this past year, and there are many Harvard case studies - including PwC's failure to frankly deal with its ethical and leadership failures. Let alone their consequences for the thousands of workers down the ladder inside these firms who are paid modestly for very long hours and very poor conditions in many cases.

There is a beautiful Buddhist phrase called beginners mind – bringing a beginner's perspective to what you do. I certainly brought a beginner's mind to this work amidst the Big Four.

My first Senate Estimates introduced me to million dollar labour market programs - without any evaluation.

From then I graduated to puzzlement at multimillion dollar projects that never went to tender and too often – simply failed completely. With no output. Who can forget PwC's eight-page PowerPoint on Robodebt for \$1million – which I think they promised to pay back.

But we now live in a world of almost daily revelations about the billion-dollar world of big consulting, where the big bucks – and really significant savings - lie.

**In this world, 'public interest', value for money, ethics, and conflicts of interest fall at the first hurdle when it comes up against the 'whatever it takes' business model of the Big Four.**

**This is a world of very big money.**

A public Audit of APS employment found that the great Australian 21<sup>st</sup> century consultant-fest peaked in 2021/22 with the Coalition Government spend of \$20.8 billion. This includes hire of external labour hire, consulting, travel, advertising and legal costs.

This is equivalent of 54,000 full-time jobs.

**This is equivalent to a shadow workforce 37.5 per cent the size of the existing APS of 144,000.**

How did we get here?

**We owe this massive increase to successive govts.**

Discrediting the public sector and the public interest began in earnest with the election of the Howard Government in 1996 – 25 years ago.

Labor Governments have played their role, using a lot of external consultants, but external spending grew on steroids over the past decade as LNP and especially the Morrison government capped employment in the public service, forcing any new projects out into the land of labour hire and consulting.

Successive Coalition Governments stripped money and resources out of the APS and established a shadow public service – without supervision.

Indeed, I have heard consultants refer to KPMG as the shadow government of NSW. The spend is not confined to the Commonwealth.

Over the past decade the value of Commonwealth procurements from KPMG, Deloitte, PwC, and EY jointly has increased by over 400 per cent, from \$282 million in 2012-13 to over \$1.4 billion in 2021-22.

**In too many places, our public service has been actively farmed for profit, captured by external interests, ripped off through poor value for money, and saturated with ideology that favours private interests and works against the public interest.**

**It has been a deeply shocking experience. And one that I am not alone in finding shocking. Read our joint unanimous report on PwC to the Parliament: *A Calculated Breach of Trust*. All Senators across parties have shared this shock. And so many Australians also share this shock and want change.**

**The Big 4** - PwC, KPMG, EY, and Deloitte - are the high priests of privatisation and of a model of business, that is – reap profit at all costs – all behind the closed doors and opaque structures of very large partnerships – where those at the top take home extraordinary amounts.

Take Mr Luke Sayers who was in charge of PwC for 8 years while the firm farmed Peter Collin's confidential govt information to assist the world's biggest multinationals to avoid tax (and says he had no knowledge of any of it). PwC throughout this period under his leadership hid behind tens of thousands of claims of legal professional privilege which have since resulting in significant fines for PwC. (Though don't feel too sorry for them, their settlements were halved from \$1.4 million to around \$645,000). Mr Sayers has suffered no penalty so far and was paid at least \$30m for these 8 years of work.

The richest consulting and contracting terrain is Defence – 76% of the total spend on external labour in 2021-22 was in Defence, amounting to \$15.7 billion in one year – equivalent to 34,000 public sector jobs. KPMG is especially active here.

**So what have we learned about Big 4 behaviour: Our senate inquiry is littered with examples of 7 issues.**

1. **conflict of interest** – McKinsey paid \$6m to write the Morrison Net zero plan, over the top of the CSIRO, while also consulting 43/100 of the world's biggest polluters.
2. **Land and expand.**

3. **Farming variations** – massive, poorly monitored extensions – the most profitable wins.
4. **Revolving door** – KPMG – 100 Defence personnel in the past 5 years.
5. **Walking both sides of the street** – advising government on how to regulate aged care, while also advising clients on how to ‘deal with’ that regulation – and in some cases even evaluating services. Huh?
6. **Capture advisory structures** – in tax, regulation.
7. **Capture government** – donations to major parties.

**So, outrage is appropriate. Please share mine.**

**What do we need to do: Use our revenue for good.**

We need to put the public interest at the centre of public spending.

We need to root out opaque profit seekers who rip off the public purse and are – simply – extraordinarily greedy. Some are just corrupt.

We need to put the APS back in the driver seat of public work – only they are able to deliver work in the public interest.

This means:

1. Good leadership – that prioritises the public interest.
2. Model working conditions – pay, leave, working time – employer of choice.
3. More staff – many more staff.
4. Cutting back consulting and contract labour.
5. Regulating consultants and conflicts of interest.
6. Ending donations and state capture.

When we talk about revenue we must talk about tax and who pays it – but we also must talk about how the government spends the revenue it already collects.

**This crisis represents a real opportunity.** People are scrubbing the Big Four off their CVs: they are a bruised brand.

Read Elizabeth Broderick’s report into EY if you need convincing, or Switkowski’s review of PwC. They are crushing assessments of leadership.

**We can do this. And we must. Australia's diligent honest taxpayers – all those nurses, electricians, retail workers, childcare workers, cleaners – rely on us – not only to collect revenue fairly but to spend every dollar of public money – wisely - on things that make a difference.**

And to turf out the profiteers who have ripped us off like besuited bandits.