

Useless Governments - Private Consultants Reap \$500m a Year

by Edmund Tadros and Markus Mannheim via stan - *The Age Monday, Mar 19 2012, 9:10am*
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Meanwhile the People are Taxed through the floor

THE federal [Gillard] government has spent half a billion dollars a year on consultants since Labor won office 4 1/2 years ago, an analysis of its contracts shows.

Yet while Finance Minister Penny Wong has warned agencies to slash this spending, few public servants believe it will happen.

The Canberra Times examined every consultancy deal published on the AusTender website in the four years since 2008, an investigation of 17,736 contracts worth \$2,170,180,096.

Put in context, the annual consultancy bill far exceeds the entire budget of the Bureau of Statistics, which employs more than 3400 staff.

Global firms dominate the list of top earners, with KPMG alone winning more than \$100 million of work, followed by PricewaterhouseCoopers (\$69 million) and Ernst & Young (\$54 million).

The Defence Department was the biggest buyer, spending \$299 million, followed by the Health Department's \$208 million. Much of the work is described broadly as management or professional services.

However, the contracts also encroach into areas that were traditionally the responsibility of public servants, such as policy advice and contract administration. Only 57.3 per cent of the spending was competed for via an open tender.

The Community and Public Sector Union said last night Australians would be "outraged that such a huge amount of taxpayers' money is going to a handful of high-flying, multinational companies at the same time as essential frontline services and jobs are disappearing".

National secretary Nadine Flood said: "These big firms first got their claws into government during the Howard years. Now, with such huge amounts of money at stake, you can see why they want to keep their good thing going."

Many public service agencies plan to shed jobs in 2012-13 to cope with the extra \$500 million budget cut that Senator Wong announced late last year.

Several workplaces, including the departments of education, health, treasury and resources, have already announced plans to retrench staff.

Senator Wong told agencies she expected them to try to reduce spending on consultants rather than on staff.

But a new bureaucracy-wide survey of 940 union delegates, whose findings are issued today, says only one in four have been told that their agencies will cut their use of consultants.

By comparison, 74 per cent say their agency is not filling vacant jobs, and 44 per cent say their workplace is using fewer temporary and contract staff.

Ms Flood said: "In the name of short-term savings, the federal government appears to have developed a long-term dependence on expensive contractors to do work that could - and should - be done in-house."

However, the latest State of the Service report suggests it will be years, if ever, before government agencies can wean themselves off consultants.

The report highlights barriers such as chronic skills shortages in the bureaucracy, an ageing workforce and a "fiercely competitive labour market (expected to intensify in key skill areas)".

Last financial year, agencies found it toughest to recruit and retain staff in project management, human resources, IT, accounting and finance roles - all areas that coincide with high spending on consultants.

The department's own data on consultancy spending, collated by financial year, shows the government has spent an average of \$486 million a year since 2007-08.

A spokeswoman noted this was considerably less than the \$535 million the Howard government spent on consultants in 2006-07.

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