Inquiry into management and assurance of integrity by consulting services (Consulting services)
for the
Senate Finance and Public Administration References Committee

submission by
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BIOGRAPHICAL DETAILS

I am a senior lecturer in science and technology studies at the University of Wollongong and a founding member of Academics for Public Universities and Public Universities Australia. Prior to taking up my current position at UOW, I was a researcher and policy analyst in the NSW Cabinet Office and the Departments of State and Regional Development, Aboriginal Affairs and Housing. I am currently President of the Australasian Association for the History, Philosophy and Social Studies of Science and a Co-Investigator on a Leverhulme Trust Project Grant based at the University of Glasgow.

PREAMBLE

I have a long history of conducting research in climate change and energy policy, which includes several years working for the NSW Government as a researcher and policy analyst. This research has most recently involved examining the increasingly unhealthy relationships that have developed between Australian governments and the major consultancy and accountancy firms with a particular focus on climate change and energy policy. I have also undertaken detailed longitudinal research into the frequency and rapidity with which former senior politicians, political staffers and senior bureaucrats move into consultancy work after leaving public office, almost invariably providing advice to both government and the private sector about portfolios in which they previously had oversight.

Since 2020 I have been involved in undertaking detailed research into systemic problems with university governance and financial management in Australia’s higher education system (AHES). This has similarly involved examining the unhealthy relationships that have developed between Australia’s public universities and the major consultancy and accountancy firms with a particular focus on university governance and financial management.

In this submission I will address these two different but related networks of political influence which reveal similar problems of corporate capture by elite actors in Australia’s governmental and university sectors.

Use of consultants by Australian governments with regard to climate change, energy and tax policies

As neoliberal governments have downsized and rationalized their bureaucracies and lost the expertise they once possessed across multiple portfolio areas, they have shifted expenditure from the salaries of public servants to the payment of external consultants with no demonstration of the value of doing so to the Australian public. The extent to which state and federal governments now rely on consultancies to formulate policy on a wide range of issues should be a matter of concern to all Australians.

The former Federal Coalition Government spent $129 billion on outsourcing consultancy and non-consultancy services to the private sector over the five-year period from 2012-2017.[1] The Big Four accountancy firms (i.e. Deloitte, KPMG, Ernst and Young and PriceWaterhouseCoopers) received more than $3.1 billion in fees from the Coalition Government between 2012 and 2018.[2] These taxpayer funds were spent in lieu of the public service expertise which the Coalition purged from the federal bureaucracy over many years as the result of successive waves of austerity and 'rationalization'. Even more profligate expenditure on consultants is evident over the last five years, as has been documented by Michael West Media and other independent media outlets.

Although flaws in the accountability mechanisms relating to state and territory governments make it difficult to determine how much they are spending on external consultants, we do know that important policy decisions are routinely contracted out by them and the federal government to global consultancy firms such as the Big Four and McKinsey and Company. It has been well documented that this enables the governments that employ them to further hollow out their own bureaucracies' policy expertise and hide behind multiple veils of secrecy, including the oft-cited fig leaf of 'commercial-in-confidence'.[3]

The Big Four are particularly notorious for treating conflicts of interest as revenue streams. They are responsible for auditing 98 percent of global corporations with a turnover of US$1 billion or more, and reputedly cost governments and taxpayers around the world more than US$1 trillion in annual revenue.[4] Although they routinely advise both corporations and governments regarding tax arrangements, they have been afforded permanent secondment positions in some Australian government departments, most notably state and federal treasuries.

To the extent that policy expertise in Australian government circles has been hollowed out as a consequence of neoliberal rhetoric concerning 'small government' and the hiring out of government policy to consultants, the covert exercise of power by party political factions and their corporate backers has tended to become the norm. Nowhere is this more apparent than with respect to environmental, climate change and energy policy in Australia.[5]

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1 P. Barratt, Are all those consultancies really necessary?, *Pearls and Irritations*, 7 March, 2018.
2 M. West, Big Four: government's binge on consultants goes ballistic, *Michael West Media*, 20 September, 2018.
3 Anonymous, 'McKinsey & Company: Capital's Willing Executioners', *Current Affairs*, 5 February 2019; D. De Luce and Y. Salam, 'Advising both Chinese state companies and the Pentagon, McKinsey & Co. comes under scrutiny'. *NBC News*, 13 November 2021; A. Sguazzin and J. Bowker, 'McKinsey to Repay $63 Million to South Africa's Transnet'. *Bloomberg*, 25 May 2021; N. Turnbull, 'PM ignores our modelling experts and hires a controversial global consultant'. *Pearls and Irritations*, 17 November 2021; M. West, 'PwC gives bludgers a lesson in corporate welfare', *Michael West Media*, 27 September 2016; M. West, 'Big Four: government's binge on consultants goes ballistic', *Michael West Media*, 20 September 2018; M. West, 'Post Mates: state monopoly capitalism fuses government with big business', *Michael West Media*, 12 October 2018.
4 J. Mikler, *The Political Power of Global Corporations*, Polity Press, Cambridge, 2018; M. West, Major accounting firms facilitators of global tax avoidance, *The New Daily*, 12 July, 2016.
5 See, for example, G. Pearse, *High and Dry John Howard, climate change and the selling of Australia's future*. Viking, 2007; C. Hamilton, *Scorcher The Dirty Politics of Climate Change*, Black Inc/Agenda, 2007; G. Pearse, 'Quarry Vision: Coal, climate change and

A focus on the political economy of fossil fuels and the governments, industries and businesses that support and rely upon them reveals just how effective the relevant players have been at dominating markets and party politics by mobilizing and multiplying their allies across multiple geographical regions, political constituencies and industry and business sectors. As in other economic sectors involving different kinds of corporate coalitions aimed at oligarchic control, the pursuit of these coalitions' financial interests is typically geared toward minimizing competition from smaller rivals, preventing technological innovations outside their direct control from threatening their market dominance, and ensuring government policies, regulations and legislation are crafted so as to maintain or enhance their market positions.[6] This includes routinely exercising their ability to prevent the introduction of legislation or regulations which limit their market power. In policy analysis, these strategies are described as 'veto powers'.[7]

The Big Four have long been major enablers of the fossil fuel industry's political and economic power in Australia. One of the most emblematic examples of the cosey relationship between the Big Four and the fossil fuel industry has been their success in fending off all efforts to remove the 'grandfathering' of tax concessions for the oil and gas industry over many decades. The Big Four' have effectively enabled the fossil fuel industry to avoid paying tens of billions of dollars in income taxes and royalties for publicly-owned fossil fuel resources over many years.[8] Between 2012 and 2018, thirteen of the Big Four's largest Australian clients in the coal, oil and gas industries generated well in excess of $160 billion in Australian revenues, but paid less than $12 million in income tax on that revenue, or 0.007 percent of total revenue.[9] By way of contrast, their ten most 'responsible' resource and energy clients generated $415.4 billion in total revenue between 2015 and 2018, and paid $21.1 billion in income tax, or 5 percent of their total revenue.[10]

According to a report published in 2020 by the Tax Justice Network, Public Services International and the Global Alliance for Tax Justice, USD427 billion in tax each year is lost to nation states by international corporate tax abuse, much of which is enabled and overseen by the Big Four. The press release for TJN's report states that 'Lower income countries lose more than half what they spend on public health every year to tax havens … OECD countries are collectively responsible for nearly half of all global tax losses.' The report reveals that USD245 billion is directly lost to corporate tax abuse by multinational corporations and USD182 billion to private tax evasion. Multinationals have shifted UD1.38 trillion worth of profits out of the countries where they were generated and into tax havens. Financial assets worth over USD10 trillion have been shifted by private tax evaders into offshore tax havens. It states that the greatest enablers of global tax abuse are 'the rich countries at the heart of the global economy and their dependencies – not the countries that appear on the EU's highly politicised tax haven blacklist or the small palm-fringed islands of popular belief.' These countries account for

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the end of the resources boom', *Quarterly Essay*. 33, 2009, pp. 1-122; G. Pearse, D. McKnight & B. Burton, *Big Coal Australia's Dirtiest Habit*. University of New South Wales Press, 2013.

[6] Unruh, G.C. (2002) Escaping carbon lock-in. *Energy Policy*. **30**(4), pp. 317-325; Nitzan, J. and Bichler, S. (2010) *Capital as Power A Study of Order and* Creorder. Routledge.

[7] Lindblom, C. (1979) *The Policy-Making Process*. 1st ed. Prentice Hall; Atkinson, M.M. (2011) Lindblom's lament: Incrementalism and the persistent pull of the status quo. *Policy and Society*. **30**(1), pp. 9-18.

[8] M. West, Corporate lobbying a billion dollar business, *Michael West Media*, 6 November, 2017; G. Hutchens, Australia must charge royalties on natural gas or lose billions, says expert, *The Guardian*, 9 February, 2017; G. Hutchens, Senate told current tax on oil and gas projects cannot change but future deals should, *The Guardian*, 3 July, 2017; E. Bagshaw, Cooking the books on climate change policy, *The Sydney Morning Herald*, 7 January, 2018; P. Soos, As planet cooks, Coalition cooks the books on fossil fuel subsidies, *Michael West Media*, 8 November, 2018.

[9] Unless otherwise stated, all dollar figures provided are in Australian dollars. On 4 April 2021, AUD1.00 = USD0.76.

[10] A. Lucas, 'Investigating networks of corporate influence on government decision-making: the case of Australia's climate change and energy policies', *Energy Research and Social Science*. 81, 2021, 102271,

98 percent of countries' tax losses, whereas lower income countries are responsible for only 2 percent. **Table 1** below records the five jurisdictions responsible for almost half of all countries' tax losses.[11]

Table 1: Developed countries primarily responsible for global tax losses

Jurisdiction	**Responsible percentage of global tax loss**	**Annual tax loss (USD)**
British Territory Cayman	16.5	<70 billion
United Kingdom	10	<42 billion
Netherlands	8.5	<36 billion
Luxembourg	6.5	<27 billion
United States	5.53	<23 billion
TOTALS	**47.03**	**<198 billion**

Based on extensive research into the vast sums of taxpayer funds and capital diverted annually to corporate interests in Australia through direct and indirect subsidies, tax concessions and other forms of corporate favouritism, it seems reasonable to conclude that the many forms of corporate largesse routinely conferred upon dominant corporations by successive governments throughout the world over the last several decades have deprived most of humanity of the capital that could have been used to not only make a global sustainable energy transition and decarbonise our societies over the next few decades, but to provide the majority of the world's population with minimum standards of healthcare, welfare and education. The vast bulk of this capital has been illegitimately and illicitly shifted into tax havens or spent on conspicuous and inconspicuous forms of consumption that serve no other purpose than to finance the profligate, carbon-intensive lifestyles of a tiny global elite. Despite the role played by the world's major accountancy and consulting firms in enabling such behaviour this has never been publicly acknowledged by any Australian government, let alone formally investigated.[12]

The kinds of 'soft corruption' that such activities involve take place through social connections between individuals working in, between and for departments, agencies and other quasi-autonomous bodies within corporations, governments, political parties, peak organizations, and public relations and consultancy firms. Economists Cameron Murray and Paul Frijters have described these insider networks as a 'game of mates', wherein rent-seeking by business and industry is focused on gaining privileged access to decision-makers, resulting in billions of dollars being siphoned off annually from government coffers to line the pockets of 'mates' in the mining, finance, transport, property and other industries.[13] The 'game of mates' is played so well in Australia that 63 percent of its billionaires have attained their wealth through political connections, in much the same manner as India and Colombia,

[11] https://www.globaltaxjustice.org/en/latest/427-billion-lost-tax-havens-every-year
[12] M. West, Corporate lobbying a billion dollar business, *Michael West Media*, 6 November, 2017; M. West, Glencore tax bill on $15b income: almost zero, Michael West Media, 27 June, 2014; M. West, Australia's Top 40 Tax Dodgers 2020: fossil fuels dominate once more, Michael West Media, 31 January, 2020; R. Campbell, T. Shields, We'll pay tax … one day: Submission to Senate Inquiry into Corporate Tax Avoidance, The Australia Institute, Canberra, February, 2018; R. Campbell, Petroleum Resource Rent Tax Gas Transfer Pricing Review, The Australia Institute, Canberra, June, 2019; R. Campbell, M. Ogge, C. Murray, The economic impacts of unconventional gas in Western Australia, The Australia Institute, Canberra, November, 2018.
[13] C. Murray, P. Frijters, *Game of Mates How favours bleed the nation*, Lightning Source, Milton Keynes, 2017.

as opposed to 1 percent in the United States.[14] More than 80 percent of Australia's richest 200 Australians have made their fortunes in property, mining, banking, superannuation and finance, all of which are heavily regulated sectors in which enormous fortunes can be made through favourable planning, legal and regulatory exemptions, including tax concessions and subsidies won for them by the Big Four and other consultancies.[15]

The Australian experience clearly demonstrates that expert-certified advice is often ignored, even when it is provided by relevant government agencies to political decision-makers, and that contradictory and often empirically flawed advice is often preferred by governments through various forms of corporate influence-peddling. Those politicians who favour a continuation of the status quo can simply ignore unpalatable expert knowledge and advice, or 'cherry-pick' and commission expert opinions which reflect or reinforce their predetermined positions. Indeed, if they are unable to elicit the 'appropriate' responses from public servants or recognized experts, they can simply bypass conventional forms of advice and decision-making and implement the wishes of corporate lobbyists, consultants and principals.[16] Both strategies have resulted in either policy paralysis or, even worse, the development of financially and technically unsound policies which further entrench a narrow spectrum of incumbent business and industry interests.

RECOMMENDATIONS

1) Establish a statutory authority to take a whole-of-government approach to consultants in all Australian Government agencies. The authority should consist of suitably qualified public servants who oversee the design, implementation and monitoring of all government contracts and consulting activities. Its activities should be guided by best practice contracting arrangements, including oversight of final reports, and transparency and timeliness in publishing these reports. Consultants' reports have a similar structure to an Australian National audit office performance audit report with recommendations and opportunities for relevant agencies to respond.
2) Require all Australian Government agencies to compulsorily report value-for-money with respect to all consultants engaged by those agencies, along with their performance with respect to the work for which they were contracted. At present, there is no feedback loop concerning the value-for-money and performance of consultants.
3) Require all Australian Government agencies to produce an annual disclosure concerning all consulting agreements in which they engaged in that year following the New Zealand Government's Performance Capability Index Framework. Using the eight assessment categories in that index, the information that is subsequently gathered can be used to rank agencies, help identify capability improvement initiatives across government, and provide a continual improvement process whereby agencies prioritise improving their performance and maturity levels.
4) Invest in internal capacity and capability creation by ensuring that public sector careers attract competent, purpose-oriented and curious individuals. This should include building digital infrastructure capacity within the public sector by re-establishing the in-house IT expertise that is necessary for managing digital infrastructural and procurement contracts.

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[14] S. Bagchi, J. Svejnar, Does Wealth Inequality Matter for Growth? The Effect of Billionaire Wealth, Income Distribution, and Poverty, *Journal of Comparative Economics*, 43 (2015) 505-530.
[15] P. Frijters, G. Foster, Rising Inequality: A Benign Outgrowth of Markets or a Symptom of Cancerous Political Favours?, *The Australian Economic Review*, 48 (1) (2015) 67-75.
[16] Lindblom, C. and Woodhouse, E.T. (1993) *The Policy-Making Process*. 3rd ed. Prentice Hall; Haas, P. (2004) When does power listen to truth? A constructivist approach to the policy process. *Journal of European Public Policy*. **11**(4), pp. 569-592.

5) Embed learning and an end-point into contract evaluations. At present, value in contracting processes is generally viewed in transactional terms: capacity or expertise are provided in exchange for money. However, when knowledge-sharing agreements are included in the terms of reference of contracts, both parties to the contract can benefit from such non-financial exchanges. Organisations can then adopt 'dynamic' forms of evaluation that can assess different kinds of costs and benefits over time other than purely financial ones.
6) Mandate transparency and conflicting interests disclosure. As has been previously explained, the big consultancies often represent both public and private sector organizations. For example, they advise both the leading fossil fuel polluters and the government mandated to reduce national emissions. They also routinely audit prime contractors to government while themselves bidding for government contracts, and write federal tax legislation at the same time as advising clients on how to sidestep it. To fully understand how a consulting firm's clientele might affect its advice, consultancies' contracts should no longer be allowed to operate under a veil of secrecy.

Use of consultants by Australia's public universities

The growing use of private consultants by university executives and senior managers is a major concern for academics throughout the country. There is an intransigent unwillingness among university senior managers to either recognize or draw upon the expertise within their own institutions to provide guidance on a wide range of important university activities that should be open to public scrutiny. This is a direct outcome of the authoritarian forms of leadership that have accompanied the adoption of corporate-style management in Australia's universities over the last few decades.

Many of my colleagues have direct experience of how external consultants routinely produce prejudiced advice that confirms predetermined outcomes already decided by university executives and/or senior managers. Those authoritarian individuals who currently hold the reins of power in most of Australia's universities not only favour such activities but ensure that any form of accountability for indulging in them is a rarity. The frank and fearless advice that may arise from actually drawing on their own institutional expertise is clearly not something that would be welcomed by them. This point is made at greater length in Public University Australia's submission to the Universities Accord.

The extraordinarily large sums of money being spent on consultants every year by public universities in Australia should be a major concern for government and the wider community. In 2019 and 2020, more than $2 billion a year was being spent by Australian universities on 'consultancy and contracts' with very little opportunity on the part of university staff, students or the wider community to determine how those funds were spent and whether they constituted value for money. These expenditures were only reined in marginally under COVID, and will no doubt swing back to their former excessive levels if nothing is done by state and federal governments to regulate such activities. Serious questions about conflicts of interest, probity, transparency and accountability are currently unable to be forensically aired in any forum and will almost certainly require a Royal Commission to adequately interrogate.[17]

[17] https://johnmenadue.com/james-guthrie-its-time-for-a-royal-commission-into-the-governance-of-australias-public-universities/; https://johnmenadue.com/if-i-was-the-minister-responsible-for-higher-education-in-the-next-government-these-would-be-my-priorities/

Considerable public attention over the last several years has been drawn to various forms of systemic corruption and malfeasance in Australia's governing and administrative institutions. Although there have only been a handful of official investigations into the integrity of Australia's universities in recent years, university staff are not infrequently confronted with instances of conflicts of interest, nepotistic appointments, uncompetitive bids for work, theft of intellectual and other property, bullying by managers, misappropriation and misallocation of funds, prejudicial treatment of employees, and sexual harassment. External consultants provide cover for university leaders on the rare occasions that such integrity issues become common knowledge. The conflicts of interest for many of the individuals and companies involved rarely become a matter of public record. At present, university staff, students and the broader community have no way of preventing such conflicts from arising, or indeed of even questioning why and how such conflicts could have been allowed to become institutionalized in the first place.

Serious and probing questions need to be put to university leaders about their unhealthy and non-transparent relationships with the Big Four accountancy firms, i.e. PWC, Deloitte, KPMG and Ernst and Young, as well as the Big Three consultancy firms, i.e. McKinsey & Co, Boston Consulting and Bain & Co, along with Accenture and a handful of other less well-known firms. These companies not only provide auditing, financial and policy advice to our universities, many of their current and former employees hold powerful positions on university governing bodies and as executives and senior managers. For example, University of Tasmania Vice-Chancellor Rufus Black is a former employee of McKinsey & Co, the Deputy Chancellor of the University of Wollongong Warwick Shanks is a senior partner in KPMG. University of Adelaide Councillor David Hill is Asia Pacific CEO for Deloitte. University of Newcastle Councillor Jennifer Leslie is a former consultant with PwC. University of Melbourne Councillor Nadia Carlin was Chief Risk Officer and Governance Board member for PwC. University of Melbourne's previous Chief Operating Officer Allan Tait was a partner in PwC specializing in privatization, mergers and acquisitions. University of South Australia Councillor Ian Smith is 'the founding partner of corporate and political advisory firm Bespoke Approach and a Senior Adviser to Albright Stonebridge Group, a Washington-based consultancy'.[18] These are just a handful of many, many examples. Even if the integrity of all of these individuals is impeccable, the fact is that they bring a certain kind of corporate culture and mentality with them which is not necessarily conducive to academic values or which adequately appreciates the full range of historical, cultural, political and economic functions performed by universities.

The only public accountability measures that public universities currently face with regard to their finances and expenditures are the state auditors-general. While some of these bodies perform their duties diligently, this is not universally the case. It is extraordinarily difficult for university staff or the tertiary education unions to extract details from either universities or the auditors-general of how significant expenditures were made, to whom and for what purpose. This has proven especially difficult concerning expenditures on external consultants in relation to a wide range of public university activities, especially those relating to building construction, property development, service contracts and legal defense.

[18] https://www.unisa.edu.au/about-unisa/governance-and-management-structure/university-council/council-members/#JohnHill

The South Australian University Integrity Survey 2020

Several submissions to the University Integrity Survey conducted by the South Australian ICAC in 2020 included the following observations concerning the use of consultants in SA universities. The first involves the behaviour of management in relation to hiding the costs of employment.[19] The second involves the misuse of non-monetary university resources.[20] The third, fourth and fifth examples are just three of the concerns raised by 42 respondents around procurement processes and the hiring or management of consultancy services.[21] The sixth, seventh and eighth examples relates to conflicts of interest concerning consultants and the related university policies:[22]

> "I understand being able to scale a work force up/down but this is blatant engagement of consultants in roles that would normally be considered contract or continuing - with the aim of hiding the true cost of doing business."

> "Staff writing consulting projects for themselves to be paid out of university funds.A professor in [redacted] who writes invoices to himself to deliver a workshop.Former [redacted] writing consulting contracts to himself paid out of university funds."

> "Issues around procurement / EOFY [End of Financial Year] spend. Money paid to vendors for 'credit'."

> "There seems to be an outsource at any cost mentality. The management team in [redacted] were completely not utilising the technical knowledge within the [redacted], instead outsourcing for this information."

> "The university has done weird deals with software companies where there is no clear benefit."

> "Conflicts of interest arise often, but are not necessarily addressed in all areas of the uni."

> "Conflict of interest is a major issue, with administrative staff and researchers establishing their own companies, with which the University subsequently trades while said individuals are still on the University payroll."

> "One gentleman was running a very profitable consultancy in [redacted], using an academic there to funnel the money through that university to avoid our levies."

It seems appropriate to end these observations with a particularly apposite conclusion penned by union activist and casual academic Ben Kunkler from his article, 'Australian Universities Are Finance Investors With a Side Hustle in Education' from 2021:

> Australia's neoliberal university managers are latter-day Ozymandiases, presiding over monuments to the wastefulness and irrationalism of the market. The only solution is to return the universities to a fully publicly funded, non-market model — and to fire the generation of managers who are responsible for this mess.[23]

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[19] ICAC/OPI, *ICAC University Integrity Survey 2020*, Independent Commission Against Corruption/Office of Public Integrity South Australia, Adelaide, 2020, p. 33.
[20] Ibid., p. 50.
[21] Ibid.
[22] Ibid., p. 51.
[23] Ben Kunkler, 'Australian Universities Are Finance Investors With a Side Hustle in Education', *Jacobin*, 30 September 2021.

Expenditure on ‘consultancy and contracts’ by Australian universities

According to the former Department of Education, Skills and Employment (DESE), Australian universities spent $2,000,053,000 in 2019 and $2,012,149,000 in 2020 on ‘consultancy and contracts’ out of total revenues of $36,519,249,000 in 2019 and $34,651,093 in 2020.[24] This represents 5.48% of total university revenue in 2019 and 5.8% in 2020. The authors of this document argue that Australian universities acted responsibly by reducing their expenditure on non-core activities during the COVID pandemic. They state that ‘[a]ggresive costs [sic] reductions were noted across the sector … with universities actively constraining their discretionary spending, particularly in areas such as … consultants and contractors’, a statement that is clearly contradicted by their own figures as just cited and demonstrates a peculiar lack of willingness on the part of the relevant federal bureaucrats to undertake adequate analysis of their own data.[25]

Rather mystifyingly, in the following year’s report by the former Department of Education, expenditure on ‘consultancy and contracts’ in 2020 for Australian universities is listed as ‘only’ $1,630,771,000. This constitutes a reduction of $381,378,000 compared with the previously reported figure. No explanation is provided for this huge discrepancy with the earlier published figures. Expenditure on ‘consultancy and contracts’ in 2021 is listed as $1,734,591,000.[26] This represents 4.5% of total university revenue in 2021: a hardly surprising reduction considering that university managements had been claiming they reduced such expenditures in the wake of COVID, but clearly had not yet done so in 2020. It would therefore appear that some creative accounting practices by Australian universities is evident here whereby $381.4 million somehow disappeared from university ‘consultancy and contracts’ expenditures in 2020 when they reported their results in 2022. This is typical of the lax standards in place with regard to adequate financial oversight of Australia’s universities. Enormous expenditures by Australia’s universities are routinely given a rubber stamp by state and federal oversight bodies when far more detailed scrutiny should be applied.

To give just some idea of the enormous sums spent on consultants and contractors in 2018-19, the University of Melbourne spent $290 million, UNSW spent $192 million – $25 million of which was directed to Price Waterhouse Coopers – while the University of Sydney spent $166.7 million[27] and the University of Wollongong, $30 million.

Reproduced below is a chart I compiled based on twenty years of data contained in annual reports of the University of Wollongong (UOW) from 2000 to 2019 showing massive rises in non-core activities listed under ‘other expenses’, including consultant fees between 2005 and 2011, and again between 2015 and 2019. As a member of the UOW Council in 2021, I quizzed the Chief Operating Officer and one of the Deputy Vice-Chancellors about these increases in expenditure and did not receive satisfactory answers to any of my questions.

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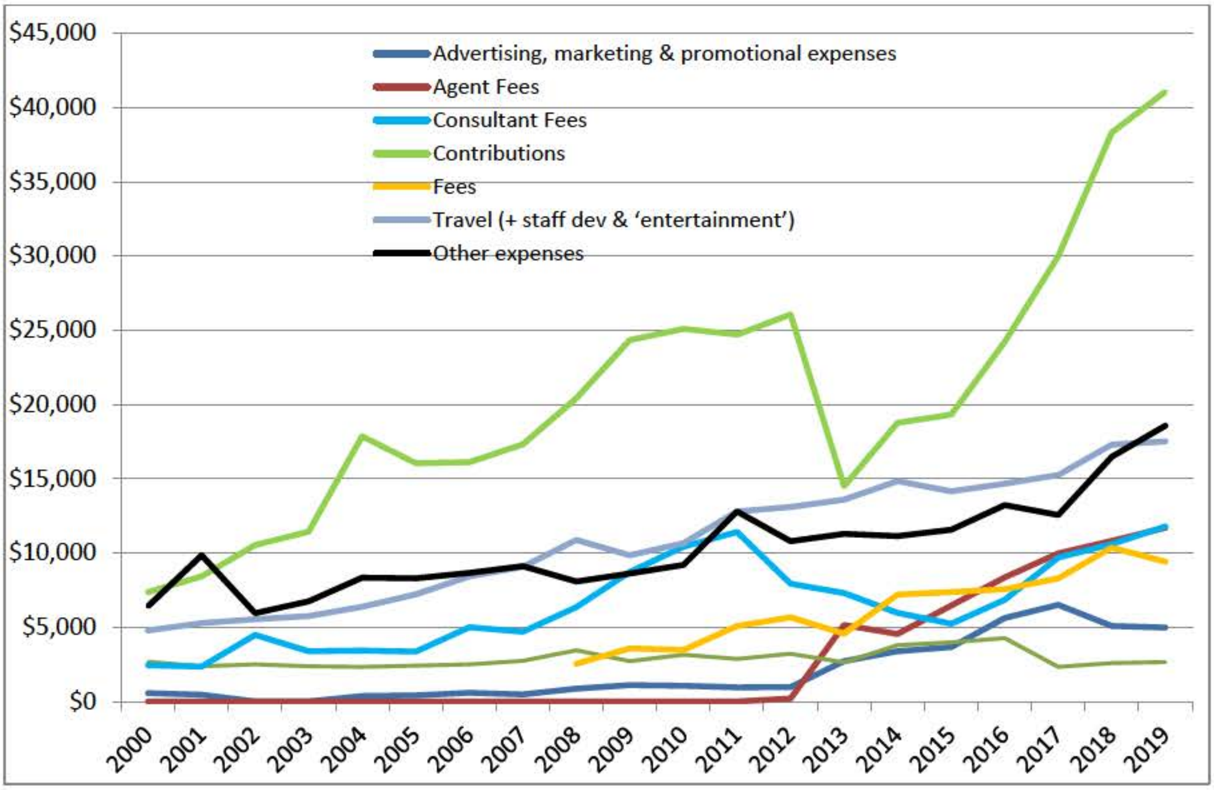
[24] DESE, *University Finance 2020 Summary Information*, p. 6.
[25] Ibid. p. 4.
[26] DE, *Finance 2021 Financial Reports of Higher Education Providers, Summary Information*, p. 10.
[27] Expenditure breakdown by Sydney Uni: Big Four: $25.2 m; Recruitment & Labour Hire: $32.8 m; Labour & Services: $45.8 m

UOW PARENT ENTITY EXPENDITURE: 'OTHER EXPENSES', 2000-2019 (thousands of dollars)



Given the current composition of those chosen to lead the Universities Accord and its terms of reference it would seem that the new Federal Government's desire to rein in such excesses is minimal to non-existent. This is hugely disappointing and will prove to be a significant error over the next several years as the model of relying on international students to make up for government funding reductions proves to be irrevocably broken. No doubt all the consultants on whom the government and university leaders continue to rely have been telling them otherwise.

There is nevertheless a growing body of evidence demonstrating the failures of neoliberal ideology across multiple portfolio areas, including education. Nowhere is that ideology more prevalent than among accounting, finance and management consultancies. It would be no exaggeration to attribute that ideology with having brought about all of the chronic and self-perpetuating failures we have seen in education, social welfare, health and aged care policies informed by its toxic 'logic'. The erosion of working conditions and respect for expertise that it encourages is not sustainable. Even the most highly skilled of professions are experiencing mass attrition and labour shortages as the values of corporate management pervade and hollow out our public institutions, resulting in a continuous, self-reinforcing process of the loss of knowledge, skills, and expertise, including the abilities of 'critical thinking' and 'problem-solving' that should be the cornerstones of a healthy democracy. These failures may well benefit transnational corporations and the consultancies that advise them but will ultimately cost Australia far more than most of its citizens should be prepared to pay.

RECOMMENDATIONS

The current reliance on external consultants to provide advice regarding a wide range of university activities is deeply problematic for all the reasons previously outlined. In my many conversations and communications with members of the representative bodies that make up Public Universities Australia, dissatisfaction with the current situation regarding the use of external consultants and the corporate mindset which pervades their advice to public universities is a common theme. It is neither appropriate nor desirable for this situation to be allowed to continue. However, the only way that it can be directly and adequately addressed is through major reforms of university governance and the imposition of much higher standards of transparency and accountability on university executives and senior managers.

In our earlier work on this topic, James Guthrie, Alexander Pelizzon and I have argued that tinkering with the current broken system of governance and financial management in Australia's higher education system (AHES) will not solve the systemic problems it currently faces. To the contrary, major national reforms are required. In order to institutionalize appropriate reforms that will enhance the national and international reputation of the AHES, and prevent the current misuse and misallocation of substantial funds to external consultancies and other inappropriate activities, we argue that it will be necessary to create two new national higher education bodies:

a) an independent prudential advisory body, similar to the Australian Prudential Regulatory Authority (APRA), to oversee the financial performance of Australian public universities from a management and public policy perspective;
b) an independent tertiary funding and standards body, similar to the former Australian Commonwealth Tertiary Education Commission (1977-1988), to oversee and make determinations concerning national funding, education standards, research priorities and planning for the whole tertiary education system, including TAFEs, universities and private providers.

The role of the Prudential Authority for Higher Education in Australia (PAHEA) would be to assure accountability and transparency concerning the financial operations of Australian public universities, with a focus on their use of public funds and assets. It would oversee and make determinations concerning appropriate levels of funds held by universities as financial assets to be used for purchasing university infrastructure and equipment (e.g. laboratories, instruments, equipment, and software), as well as the upgrading and maintenance of existing facilities and the construction of new buildings and facilities. This body would also provide advice regarding the prudential management of enrolments by fee-paying overseas students and benchmarks relating to salaries and remuneration for vice-chancellors, senior executives and senior management.

The role of the new Australian Tertiary Education Commission (ATEC) would include safeguarding staff and student well-being, guaranteeing research autonomy from political interference, maintaining minimum national standards for academic teaching quality, and overseeing core course content and research ethics across all discipline areas following the development of transparent standards and principles. It would absorb the current role performed by the Tertiary Education Quality Standards Agency (TEQSA) and oversee the operations of all Australian public universities following publicly established standards and principles. This would include the ability to review and make recommendations concerning any financial and regulatory issues that affect these activities, including the allocation of research funding by individual universities and planning for national academic and professional skills and training needs.

Both PAHEA and ATEC would draw their executive committee members from a wide range of representative bodies in the tertiary education and research sectors. The mechanisms by which those members are selected should be open to public debate. However, the emphasis should be on diversity and openness, with membership broadly representative of gender, ethnicity, age, regional knowledge and disciplinary expertise. Both bodies would be responsible for advising state and federal ministers of education and be responsible for reviewing the justification for ministerial decisions.