

## **The Government Consulting Industry: A Landscape Map**

—By Lee Cokorinos for the Center on Policy Initiatives

Over the past several years the debate over the proper role of government has shifted dramatically. Beginning with the 2005 defeat of the Bush administration's effort to privatize social security, and with a steady drumbeat of private contracting and outsourcing scandals at all levels of government, the twenty year ideological campaign of the conservative movement to shrink government "down to the size where we can drown it in the bathtub" has begun to come apart at the seams.

Perhaps the most glaring example of paradigmatic failure is that had the agenda of the right wing think tanks and Wall Street operators to shift the social security trust fund into the stock and financial derivatives markets succeeded, the retirement security system would have been devastated. Formerly mainstream approaches that had been struggling on the margins for decades, from Keynesian demand management to industrial policy to countercyclical public works expenditures now command bipartisan support.

The onset of a global financial crisis and the inauguration of the Obama administration, which has committed itself to a program of active government, has also transformed the ideological and policy landscape around privatization and government contracting.

Nevertheless, the debate on the role, size and management of government has changed in important ways over the past two decades. The "business model of government" has taken deep root,<sup>1</sup> and pressure for the privatization of government assets, procurement practices and services has migrated beyond a few fringe think tanks such as the Reason Foundation, Cato Institute, Heritage Foundation and American Legislative Exchange Council (ALEC).

It is now driven largely by the "public sector practice" divisions of mega-consulting firms such as Accenture, BearingPoint, Boston Consulting, Carlyle, Capgemini, Deloitte, Goldman Sachs, Grant Thornton, McKinsey and PricewaterhouseCoopers (PwC). The language of privatization has also evolved, with the much more seductive concept of "public private partnerships" (PPP's or P3s) used much more frequently.<sup>2</sup>

Public-private partnerships are contractual arrangements between private sector entities and government agencies that permit more private sector involvement in infrastructure projects (such as roads, water delivery, waste disposal, etc.) and services (such as information technology and social services delivery).<sup>3</sup>

The large consulting and project financing firms, and a raft of smaller companies in the privatization and contracting industry, have moved in to take over public assets and services on an unprecedented scale. Through their management consulting practices, they

have also changed the face of decision-making within the federal, state and local governments, enabling them increasingly to drive the agenda of public services.

Consultants now often have better access, deeper institutional knowledge and, due to the high rate of turnover among public sector personnel, longer tenure. “They know our business better than us,” one Pennsylvania state worker, who requested anonymity for job security reasons, told the Harrisburg *Patriot News*. “It gives them a distinct competitive advantage.”<sup>4</sup>

This has enabled the large consulting companies to create a durable cash stream while downsizing not just state and municipal services, but the political scope of decision-making. What follows is a brief landscape map of the key players in this global industry.

### Infrastructure Privatization and Public Sector Consulting

The key sectors of the privatization industry in terms of revenue generated include infrastructure development and operations, defense and security (especially but not exclusively for the federal government) and information technology (IT) services. A significant consulting component is involved in originating, promoting, bidding on and carrying out these contracts. For example, Federal IT spending increased from around \$36.4 billion dollars in 2001 to \$59.3 billion in 2004, 80% of which was for external consultants, according to the OMB.<sup>5</sup> With the new emphasis on “e-government” at the Federal, state and local levels, IT consultancy spending can only increase unless a major shift occurs toward bringing these functions in-house.

Over the past few years there has been a massive global growth in infrastructure privatization funds put together by banks, brokerage houses, private equity funds, pension funds, through public share offerings, petrodollar-rich governments and construction companies. These funds, along with more traditional sources of finance from infrastructure operators such as the Spanish companies Abertis and Grupo Ferrovial, dominate the privatization landscape.

Estimates vary as to the amount of private capital that has been raised for investment in privatizing infrastructure. Ryan Orr of the Stanford Collaboratory for Research on Global Projects, which has conducted extensive research in this area, identified 72 new funds created in 2006-2007 alone that raised more than \$160 billion for infrastructure investments (see Appendix 1).<sup>6</sup> This is in line with McKinsey estimates, which put the figure at \$130 billion.<sup>7</sup> *The New York Times* has reported that \$250 billion in infrastructure funding has been amassed by Kohlberg Kravis Roberts, the Carlyle Group, Goldman Sachs, Morgan Stanley, Credit Suisse and other firms.<sup>8</sup>

Former transportation secretary Mary Peters put the figure even higher, claiming last February that there is “upward of 400 billion dollars available in the private sector right now for infrastructure investment.”<sup>9</sup> Mark Florian, the influential pro-privatization managing director at Goldman Sachs,<sup>10</sup> and Dana Levenson, managing director and head of North American infrastructure banking at the Royal Bank of Scotland put the figure at

\$500 billion.<sup>11</sup> In January 2009, Morgan Stanley estimated there is \$180 billion in private equity capital available for infrastructure investment, which could be leveraged to \$450 billion.<sup>12</sup>

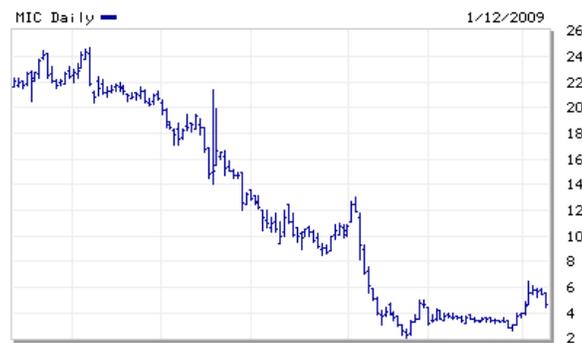
Whatever the real figure, this is a substantial privatization war chest.

While many of these funds back road construction in conjunction with government entities, they are also heavily involved in renewable energy, coal-fired, gas turbine and nuclear plants, water treatment and distribution, airports, ports, parking lots, rail links, prisons, hospitals and schools, gas distribution, electricity transmission and fixed-line and mobile telephone facilities.<sup>13</sup> The sector even boasts a specialized headhunting consultancy practice run by A.E. Feldman, which places “professionals with expertise in origination, structuring, risk mitigation, and the execution of P3 transactions.”<sup>14</sup>

It is unclear how the global economic meltdown will affect these funds, though there is a clear history of failed infrastructure investments, especially in the 1990s, that casts light on the pitfalls of infrastructure privatization during financial downturns such as the 1997 Asian financial crisis.<sup>15</sup> On the one hand, capital markets are very tight; on the other, major government infrastructure spending is on the immediate horizon, though not enough to meet the massive need.

Orr’s research was published before the financial meltdown in the last quarter of 2008, and he wrote that many of the funds were “still in the money-raising stage” (certainly now complicated by the credit and capital crunch). He pointed to Macquarie Bank as a market leader due to its “having posted strong returns on large pools of capital” and its “creation of a seemingly bottomless well of liquidity.”

One doubts this is the prevailing view today. Certainly the August 2008-January 2009 share price movement of Macquarie’s infrastructure fund seems to suggest a rather more pessimistic outlook:



Macquarie Infrastructure Company LLC [Dow Jones]

## Public Sector Management Consulting

Public sector consulting, never well covered by the media,<sup>16</sup> is a complex industry with many different structures and is by now deeply woven into the fabric of government at all levels. Some of the key “practice areas” include finance and budget design, human relations/workforce management consulting, process engineering, business advisory services, operations management, strategy consulting, designing shared services models for government, e-Government projects, tax and revenue management, school system design, environmental planning and land use, outsourcing consulting and much else.

State and local government contract consulting markets are now considered part of the national and global practices of the big firms, which freely move personnel, models and off the shelf “solutions” around as they perform these functions for their government clients.

As an industry, consulting has experienced vast growth over the past few decades, and the public sector management consulting market is a slice of this new services infrastructure.<sup>17</sup> It operates in an intensely competitive environment, with most firms jealously guarding their client lists. For example, the Monitor Group, a smaller niche firm focusing on “social capitalist” consulting, plays it very close to the vest. According to the *Boston Business Journal*, “the \$300 million, privately held firm has such a hyper-confidentiality policy about not identifying clients that their names are not even mentioned in-house. Instead, Monitor consultants use acronyms when discussing clients so that others within the firm cannot figure out who the client is.”<sup>18</sup>

Although outsourcing and consulting to the private sector is much larger, *Governing* magazine has estimated that states and localities alone spend more than \$400 billion annually on private contracts of all kinds; and Kennedy Information, the leading industry analysis group, estimates that the public sector market for consulting services will grow at an annual rate of 5% to \$60 billion by 2010.<sup>19</sup> Robert N. Campbell III, vice chairman and U.S. state government leader for Deloitte, has claimed that Deloitte’s state and federal government practice has enjoyed double-digit growth.<sup>20</sup>

According to Kennedy Information, the major segments of the public sector consulting market, which covers state and local government across the country, are management consulting (consisting of operations management, strategy consulting, human relations consulting, and business advisory services) and IT consulting.<sup>21</sup> IT is the largest sector.

Among the key factors driving the increase in government consulting, the contractors are claiming, is the shrinking of state and local government budgets, which is expected to drive up demand, especially in IT/e-Government, and in operations, financial and workforce management as public sector managers search for advice on cost and budget savings. Deloitte in particular has tried to position itself as the go-to firm for offering solutions to public officials on managing the economic downturn.<sup>22</sup>

In August 2008, David A. Wilson, Accenture’s managing director of state and local government finance and administration industry practice made a presentation on “Using Economic Downturn as a Catalyst for Administrative Transformation,” at the National Association of State Auditors, Comptrollers and Treasurers (NASACT).<sup>23</sup>

But the shrinking of state and local government budgets, which Steve Shane, Accenture’s managing director of Public Service North America, has called “the elephant in the room” for public sector consulting, has cut both ways. *Consulting* magazine reports that because of the credit crisis funding is declining at the state level. This means that although many states may wish to take on consulting contracts, particularly in education “performance,” they are constrained from doing so.<sup>24</sup>

Indeed the use of outside contract consultants is of growing concern to state governments. In June 2008 Gov. David Paterson issued new rules governing the use of consultants by the State of New York, which is projected to spend over \$800 million on consultant services in 2008-2009. Agencies will have ten days to report on why they are using consultants instead of public employees. He also established a task force to report annually on the use of consultant services.<sup>25</sup>

Deloitte’s Robert N. Campbell and William D. Eggers<sup>26</sup> have identified what they see as “huge administrative inefficiencies” in state government agencies they suggest may be “simply relics of a different era and no longer needed.” In their influential book published by Deloitte, *States of Transition*,<sup>27</sup> they set these beside “emerging issues” facing state government, shaping their view of what the management agenda should be for the next generation at the state level. The items on the agenda dovetail closely with the leading profit center leaders in the public consulting field.

### **Eggers and Campbell: “Beyond Legacy Thinking”**

Legacy Issues	Emerging Issues
Medicaid Cost Management	Advancing health care outcomes
High education administrative costs	Improving education performance
Outmoded Hiring Practices	Attracting Gen Y to state government
Underfunded Pension Systems	Protecting the homeland
Infrastructure Gap	Boosting emergency response capabilities
Service delivery maze	Tax system modernization
Management of state as a loose-knit confederation of agencies, boards, commissions and programs	Restructuring services to serve an aging population

Eggers, in his earlier book *Governing by Network*, laid out a vision of the gradual elimination of traditional government functions in favor of a “new governance model” that relies “less on public employees in traditional roles and more on a web of

partnerships, contracts and alliances to do the public’s work.” According to Accenture’s Shane, “successful commercial-public sector integration” is the goal.<sup>28</sup>

Yesterday’s public servant must become, Stephen Goldsmith and William Eggers essentially argue in their book laying out the strategy, *Governing by Network*, a hi-tech, bottom-line driven, e-savvy contract manager in a downsizing enterprise. Eggers followed this up by essentially laying out the concept of government as website.<sup>29</sup> Goldsmith, the former mayor of Indianapolis, has become a nationally-recognized figure promoting the privatization of government and public-private partnerships from his perches at the Kennedy School of Government at Harvard, where he heads the Innovations in American Government Program, and as chairman emeritus at the Center for Civic Innovation at the right wing Manhattan Institute.<sup>30</sup>

The government consulting “provider ecosystem,” as Kennedy Information calls it, is divided into five segments: defense contractors (Northrup Grumman and Lockheed Martin), the public sector practices of the big firms (Deloitte, PwC, BearingPoint, Boston Consulting and Ernst & Young), strategy and management consulting companies (Booz & Co., Roland Berger), IT consulting firms (IBM, Computer Sciences Corporation and Fujitsu), and smaller niche firms.<sup>31</sup> Leading providers of consulting services to the Federal, state and local government are listed in Table 1.

### Leading Public Sector Consulting Firms

A.T. Kearney	IBM's Global Business Services
Accenture	ICF International
Alvarez & Marsal	Infrastructure Management Group (IMG)
Bain & Company	JPMorgan Infrastructure Advisory Group
BearingPoint	Kennedy Information
Booz & Co.	Kohlberg Kravis Roberts
Boston Consulting Group	KPMG
Capgemini	Mayer Brown
Carlyle Group	McKenna Long & Aldridge LLP
CGI	McKinsey & Company
CH2M HILL	Michael F. Corbett and Associates
Computer Sciences Corporation (CSC)	Monitor Group
Deloitte	PA Consulting
EDS	PricewaterhouseCoopers (PwC)
Ernst & Young Human Capital	Public Financial Management/PFM Group
Freshfields Bruckhaus Deringer	Public Strategies Group
Fujitsu Consulting	Roland Berger
Grant Thornton	UNISYS

Following are some representative profiles of selected public sector consulting firms in government management consulting, IT, infrastructure, and legal practices.

**A.T. Kearney:** Formed in 1926 as a branch of McKinsey, Kearney is one of the leading global management consulting firms. It was owned by EDS for eleven years and became an independent privately owned firm after a buyout in 2006. Kearney has offices in Atlanta, Boston, Chicago, Dallas, Detroit, New York, San Francisco and Washington, DC. Its government practice, launched in North America in 2004, has focused on performance management and organizational change. Kearney worked on the California Strategic Sourcing Initiative with CGI-AMS to analyze state acquisitions spending. A.T. Kearney also did pro bono work bringing its corporate best practices model into the Chicago public schools, conducted a Bay Area Jobs Study for Joint Venture Silicon Valley and an economic growth study for the New England Council. Kearney publishes influential reports and rankings of countries as sites for foreign direct investment in which resistance to privatization is a significant element. It has also aggressively promoted off shoring of jobs.<sup>32</sup>

**Accenture:** Formerly the consulting division of Arthur Andersen, which dissolved due to its role in the Enron scandal. Accenture was spun off before the scandal following an acrimonious falling out and protracted legal dispute with Andersen. Accenture went public in an IPO in July 2001 in which Goldman Sachs and Morgan Stanley were its lead underwriters. It had over \$25 billion in revenue in 2008.<sup>33</sup> Domiciled in Bermuda but headquartered in New York (for which it has been criticized by Lou Dobbs, among others), Accenture has 170,000 employees and offices in 200 locations in 50 countries, including in over 30 cities in 23 states in the U.S. Its public sector consulting practice includes border management, health services, human services, nonprofit clients (many of which work with government agencies), public safety and revenue agencies. Accenture's methodology includes "benchmarking performance" and "public sector back office transformation."<sup>34</sup> It recently was awarded a three year \$26 million contract to design and implement a new financial system for the state of Kansas.<sup>35</sup>

Accenture has advocated government outsourcing "as a way to transform the culture and effectiveness of government workplaces."<sup>36</sup> It also specializes in overhauling welfare and social security systems. Over the years it has been involved in a number of controversies and scandals in its public sector consulting.<sup>37</sup> The Canadian Union of Public Employees (CUPE) denounced the company (then Andersen Consulting) in 1999 for a litany of abusive practices:<sup>38</sup>

*"Their fee structure is often based on the savings they produce, creating a drive to eliminate workers and get individuals off the welfare rolls at any cost, regardless of where they end up.*

*Andersen has come under intense scrutiny in Ontario, where the provincial auditor general recently concluded the consulting firm's \$180 million contract to reform the province's welfare*

*system was riddled with loopholes, unaccounted-for costs and inflated fees.*

*Andersen-engineered reforms of the New Brunswick social assistance system meant the elimination of one quarter of welfare staff, with remaining workers allowed to spend no more than 4.5 minutes per month with each client. Andersen was also involved in an ill-fated attempt to reform New Brunswick's justice system. Andersen's high-tech video links and computer networks never materialized, thanks to never-ending delays and escalating costs. The government had to pay \$3 million to get out of the \$60 million deal.*

*In the United Kingdom, Andersen's redesign of the social security department wasn't completed on time, leaving the government to estimate benefits for 100,000 claimants. The new computer system set up to deal with National Insurance records is in chaos, with millions of pensioners owed over \$2 billion. The system, switched on in July, had to be shut down almost immediately due to technical problems."*

More recently, in 2007 the state of Texas cancelled a five year \$889 million contract with Accenture to run call centers for the state's children's health insurance program after enrollment plunged, in part due to staffing shortages. Accenture has been the subject of a steady drumbeat allegations of improper billing, cancelled computer services contracts (most notably in Wisconsin, with the failure to get a computer voter tracking system in place in time for the November 2008 elections), overbilling tied to conflicts of interest, data breaches and other contract failures.<sup>39</sup>

**Alvarez & Marsal:** A&M has about 1,200 employees and 35 offices in the Americas, Asia and Europe. Based in New York, its public sector consulting lines are mainly in education, public transit and municipal hospitals. It claims to be the first consulting firm specializing in corporate turnaround and restructuring<sup>40</sup> (A&M is working on the shutdown of Lehman Brothers) to be hired by a public school district. A&M has contracted with the St. Louis, New Orleans, Wilmington, New York and Washington, DC school districts. The St. Louis school system had been on the brink of bankruptcy, and it will be interesting to see if the public sector bankruptcies that will likely be engendered by the current financial crisis will generate more business for private bankruptcy consultancies such as A&M.

In early 2007 A&M was embroiled a controversy over its role as no-bid contractor to the city's department of education in a botched effort to consolidate school bus lines. The cutbacks led to massive confusion among parents and students about new routes and schedules. NY public advocate Betsy Gotbaum wrote in a letter to schools chancellor Joel Klein, "it is a troubling sign that one of the first Alvarez & Marsal initiatives involves the cutting of a vital service that has a direct effect on students. More troubling is the reckless

manner in which the bus route cuts were structured. If these are the kind of ideas that A&M is bringing to the table, then it is incumbent upon you and your staff to say ‘thanks, but no thanks.’ ... and move to terminate A&M’s contract.”<sup>41</sup> Problems also dogged A&M’s consulting efforts in New Orleans and St. Louis. In October 2008 it hired Carl Kiefer as managing director. Kiefer is a former partner with Accenture’s public sector practice and led its state and local government strategic services group.<sup>42</sup>

**Bain & Company:** Founded in 1973 by former Boston Consulting Group vice president William H. Bain, Jr., Bain & Co., based in Boston, has offices in Atlanta, Boston, Chicago, Dallas, Los Angeles, New York, Palo Alto and San Francisco. After experiencing a serious crisis in the 1980s and 1990s, Bain rebounded under the leadership of former Massachusetts governor Mitt Romney (who had previously worked with Bain Capital, a separate company) and [Orit Gadiesh](#), one of the few women to head a top consulting firm. It had revenues of \$1.6 billion and over 4,000 employees in 2007.<sup>43</sup> Bain’s public sector practice is difficult to map due to its strict confidentiality policy on clients and its practice of not separating business and government consulting.<sup>44</sup> However, it has conducted extensive work in Atlanta on a pro bono basis,<sup>45</sup> including in depth budget studies, and presented a “turnaround plan” to the city in July 2002.

Included in the Bain & Co. report was the claim that Atlanta spent “2 to 4% more per capita for the same types of services” than other cities, possibly because of, among other factors, Atlanta’s failure to practice “outsourcing and privatization. Atlanta has not undertaken significant outsourcing or privatization of some central services functions such as information technology and motor transport services. With less outsourcing, Atlanta may have personnel on its payroll that are not on the payrolls of other cities.”<sup>46</sup>

Mayor Franklin “aggressively implemented the Turnaround Plan” and “the vast majority of Bain’s recommendations.”<sup>47</sup> “When Bain & Company did their benchmarking study,” Franklin wrote to a taxpayer group in February 2007, “the city had 1,346 general fund employees per 100,000 population. In 2007 we have 1,178 per 100,000. That is more than a 12% reduction in employees per capita.”

Using the pro bono model again to drive an arguably ideological agenda, in February 2004 Bain prepared the California Competitiveness Project report for the California Business Roundtable.<sup>48</sup> The CBR then used the report to press for wide ranging cuts in workers compensation, overtime and paid family leave provisions.<sup>49</sup> In 2007 the Public Policy Institute of California released a report debunking the Bain-CBR report as “based in part on anecdotal or limited survey evidence.”<sup>50</sup>

**BearingPoint:** Spun off from KPMG LLP in 2001, BearingPoint had \$3.5 billion in sales in 2007, 41% of which came from the public sector in the U.S. and abroad.<sup>51</sup> With over 17,000 employees globally, BearingPoint, a major defense contractor,<sup>52</sup> is one of the leading management and technology consulting groups to the public sector. In 2006 it signed a \$28 million contract with the state of North Carolina to replace its human resources and payroll computer system, helping it to recover from a series of court cases over contracting irregularities, the abrupt departure of its chief executive, the posting of

major losses and a downgrading by Moody's Investors Service. In November 2008 trading in BearingPoint shares was suspended by the New York Stock exchange.

According to *Consulting* magazine, Robin Lineberger, executive vice president for global public services, "promotes BearingPoint's deep and lengthy relationship with public-sector clients; the firm's consultants essentially serve as a knowledge data bank, he notes, which is valuable given the regular turnover that occurs among many governmental positions."<sup>53</sup>

Based in Virginia, it operates a state, local and provincial government practice that specializes in IT packages for enterprise resource planning (ERP)<sup>54</sup> and the establishment of "Fusion Centers" to manage their operations in financial and personnel management, motor vehicle operations, criminal justice, pension administration, portal designs for public access, and unemployment insurance administration. It has offices in 25 states and the District of Columbia.<sup>55</sup> In 2007, the *St. Petersburg Times* called a BearingPoint contract to integrate the state's accounting systems an example of "privatization run amok."<sup>56</sup> BearingPoint pulled out of the three year, \$89 million project (Project Aspire, one of former Gov. Jeb Bush's major privatization initiatives), in which it was the primary contractor, and the state has not sought a replacement consultant. *Governing* magazine reported that shortly after signing off on the deal the state's chief information officer took a job with BearingPoint.<sup>57</sup> BearingPoint has contracted with the motor vehicle departments of California, New Hampshire, Montana, Texas and Missouri.<sup>58</sup>

**Booz Allen Hamilton/Booz & Co.:** At the end of July 2008 Booz Allen Hamilton, a global strategy and technology company, split into two firms, Booz Allen Hamilton (BAH) and Booz & Co. (B&C). The Carlyle Group bought a controlling stake in BAH, which focuses on U.S. government contracting, mainly in the defense and intelligence industries, and has revenues of over \$4 billion per year. Booz Allen continues to work with state and local transportation authorities on aviation, rail, highways and marine systems as part of its civil government consulting practice.<sup>59</sup>

Booz & Co., now an independent firm owned by its officers, focuses on global commercial consulting, including management consulting services with the public sector. Headquartered in New York, had \$1.1 billion in revenue in 2008 and has over 3,300 employees in 57 offices in 33 countries.<sup>60</sup> It has U.S. offices in Los Angeles, San Francisco, Houston, Dallas, Atlanta, Chicago, Detroit, Cleveland, New York, Florham Park, Parsippany and McLean. Its approach to government consulting involves the familiar eGovernment/Government 2.0 theme—that technology is the main front in government change<sup>61</sup>—used by other public sector companies, such as Deloitte, but combines this with a more explicitly political model involving the creation of "central thought leadership" (a central agency responsible for e-Government) with a high degree of authority to approve funds and mandate compliance; the use of chief information officer councils (CIO councils) to strengthen the influence of central organizations across governments.

Like Accenture, Booz Allen focuses on the lucrative business line of government back office IT transformation, especially in education, health, public protection, financial management (with packages targeted at state and local governments),<sup>62</sup> taxation and revenue (BAH was the lead firm in the U.S. Internal Revenue Service reorganization), transportation, and work and benefits:<sup>63</sup>

*“It is the transformation of the back-office and joining up across departments (integration) that has the greatest potential for impact. This explains why waves 1 and 2 of e-Government, which concentrated on the customer interface (and visible political objectives) have not delivered against the promises. By the same token, as countries move through waves 3 and 4 over the next few years - although the change is less visible to the user - greater savings will be realized.”*

Booz Allen approaches its public sector practice as technology consulting issue, which it attempts to address by “merging” its government “experience” with best business practices.<sup>64</sup> It also conducts more traditional business process engineering consultancies for public sector entities, e.g. San Diego County.<sup>65</sup> In 2007 it conducted a long-term transportation congestion study on the Seattle/King County region.<sup>66</sup> Booz Allen also weighed in heavily in support of Public-Private Partnerships (P3s) for use in infrastructure projects, especially water, in the Middle East. At the beginning of 2008 it produced a report for the World Economic Forum advocating the use of P3s in global public health crises such as AIDS, tuberculosis and malaria.<sup>67</sup>

**Boston Consulting Group:** BCG is one of the leading management consulting firms, competing intensely with McKinsey & Co., Booz & Co. and Bain & Co.<sup>68</sup> It has over 6,000 employees, including 3,900 consultants, and 65 offices in more than 35 countries (including 14 U.S. cities). BCG had revenue of \$2.3 billion in 2007.<sup>69</sup> BCG conducted a study for the Los Angeles Board of Harbor Commissioners to make a business case for a “clean truck program.”<sup>70</sup> In June 2006 Mayor Villaraigosa signed the plan into law, creating tough environmental pollution standards and setting a national model for other ports.

BCG’s public sector consulting practice has done pro bono consulting for the Atlanta Mayor’s Office (on the court system, including “detailed head count and staffing plans” it projected would produce a “60 percent reduction in head count”); the Georgia Department of Education, the City Schools of Decatur (it recommended the reduction of the number of elementary schools from 6 to 4), the Metro Atlanta Chamber of Commerce, and the New York City Economic Development Corporation.<sup>71</sup>

BCG, like other firms, uses pro bono work to shape the consulting business environment. Its pro bono study of the Atlanta Court System, which is available on the city’s website,<sup>72</sup> provides an informative view of how the public sector consulting firms may tie recommendations for organizational reform to the services they offer, surrounding elected officials with an intellectual case for privatization that may be driven by the economics of consultancy instead of efficiency.

The suggested flow of reform for Atlanta’s court system from 2003 to 2006 starts with a radical slashing of administrative staff (“optimization”) and ends with two years of “IT investments.”<sup>73</sup> Certainly public agencies may decide to make these investments in-house, but providing IT services is a major component of the public sector consulting industry. A key question is does this conceal or obscure the privatization of public functions in another form, using the language of efficiency and cost savings? Indeed the BCG study concludes with an outsourcing proposal for traffic citations.<sup>74</sup>

BCG has also developed materials to guide companies battling for public deregulation, which in many cases can be a prerequisite for privatization or outsourcing. In one of its publications, “Escaping Regulatory Purgatory,” BCG offers an “Escape Road Map,” with an aggressive, take no prisoners four step strategy for defeating regulatory oversight and barriers to privatization.<sup>75</sup>

### *“The Escape Road Map*

#### *Step 1. Quantify the Landscape*

- *Identify all stakeholders and potential issues affecting each.*
- *Conduct a quantitative analysis of the playing field—self, competitors and all others.*
- *Use the quantified landscape to shape thinking and build momentum.*

#### *Step 2. Develop Initiatives*

- *Build and test quantified arguments for regulatory change.*
- *Marshal analyses to build consensus.*
- *Initiate conceptual discussions to gain insights and allies.*

#### *Step 3. Design the game plan*

- *Prioritize initiatives*
- *Determine how and when to engage with each stakeholder and key source of influence.*
- *Rethink and redesign in response to change.*

#### *Step 4. Conduct the campaign*

- *Create a war room.*
- *Attack on multiple fronts.*
- *Respond rapidly to new developments.*
- *Ensure accuracy of—and tight control over—information.*
- *Make creative use of potential allies.”*

The use of quantification (Step 1 above) by large consulting companies, perhaps best exemplified by McKinsey & Co., to drive a process in which measurement and cost

savings outstrips all other factors that contribute to defining an organization's mission bears special scrutiny where public sector organizations are concerned, since their mission goes beyond share price performance or profitability.

**Capgemini:** One of the largest technology and outsourcing consulting corporations in the world, with 2007 revenues of \$12.8 billion, Paris-based Capgemini launched a U.S. unit, Capgemini U.S., in 2000. Although the New York-based Capgemini U.S., with revenues of \$1.9 billion, 8,900 employees and offices in 14 states,<sup>76</sup> is modestly sized compared with some of its larger competitors such as Accenture, EDS and IBM Global Services, it is attempting to break into the public sector IT consulting market through its Capgemini Government Solutions unit, focusing initially on federal defense contracting, public health, and state and local government.<sup>77</sup>

**Carlyle Group:** By virtue of its \$2.54 billion purchase of Booz Allen the Carlyle Group, a Washington, DC-based \$90 billion private equity fund, has become a key player in the government management consulting business.<sup>78</sup> A major defense contractor, Carlyle also raised an infrastructure fund in March 2006 to invest in public-private water and sewer systems, tunnels, bridges, airports (Carlyle's AirportsAmerica Group was one of the bidders on the Midway Airport privatization scheme) and highways<sup>79</sup> in the U.S. and Canada (it was fully subscribed at \$1.15 billion by November 2007).<sup>80</sup> Carlyle Infrastructure Partners' first investment was in Texas-based Synagro Technologies, a wastewater treatment company that has specialized in public-private partnerships.<sup>81</sup> According to *The Dallas Morning News*, Carlyle's move into privatization is expected to encounter stiff opposition down the road, especially from labor.<sup>82</sup> It is already embroiled in conflict with SEIU over its takeover of the Manor Care nursing home chain.

**CGI:** CGI Group Inc., based in Montreal, is one of the leading IT consulting firms to public sector institutions, including more than 100 federal agencies and 44 states. CGI had \$3.6 billion in revenue in 2008 and 26,000 employees.<sup>83</sup> It has 40 offices and "a local presence within every major U.S. region."<sup>84</sup> CGI provides enterprise resource planning, health and human services,<sup>85</sup> tax, revenue and collections services, "spend management" services, public housing administration management and consulting environmental services to state, local and county governments.<sup>86</sup> CGI is positioning itself as a go-to firm for addressing the impact of the financial crisis on state and local government, publishing a series of white papers promoting technology solutions to struggling public sector officials.<sup>87</sup> Anticipating budgetary resistance to new spending on IT by state and local governments, CGI has also published a strategy guide, "Staking IT's Ground in the Funding Challenges Ahead," which contains state by state maps of funding solutions and capacities.<sup>88</sup> In its annual report, CGI states that "among the factors that could harm our government contracting business are the curtailment of the government's use of consulting and IT services firms; a significant decline in spending by the governments, in general, or by specific departments or agencies in particular."<sup>89</sup>

**CH2M HILL:** With \$4.3 billion in 2007 sales and 22,000 employees (a nearly 30% growth in the past year) CH2M HILL Companies, Ltd., based in Englewood, Colorado, is one of the leading engineering and infrastructure firms providing services to the federal,

state and local governments. Its public sector practice includes government facilities design and construction, redevelopment, base operating support and base closing management for the military. It has 136 project and area offices in the U.S.

It has also given “contractor government” a new twist. In 2006 CH2M HILL OMI signed contracts to manage all of the municipal facilities, except fire and police, for Chattahoochee Hill Country, Johns Creek, Milton and Sandy Springs, four newly incorporated towns in Georgia.<sup>90</sup> In Sandy Springs, where the company manages all staff, CH2M HILL employees, wearing Sandy Hill uniforms and driving trucks with Sandy Hill emblems, have fanned out to enforce municipal ordinances and grass-cutting and parking regulations.<sup>91</sup> In 2008, CH2M HILL OMI won the U.S. Conference of Mayors’ “Outstanding Achievement Award for Public/Private Partnerships.”<sup>92</sup> It continues to offer “complete municipal operations, including administration, public works and community development.”<sup>93</sup> CH2M HILL OMI claims to be “the only company in our industry with a practice dedicated to managing entire cities or communities. Planning and zoning, permitting and public works are among the many hands-on municipal services we offer.”<sup>94</sup>

CH2M HILL OMI has also received awards from the National Council of Public Private Partnerships (NCP3P) for its Sandy Springs operation and for designing, building and running the Seattle Cedar Water Treatment Facility.

**Deloitte:** Deloitte Touche Tohmatsu, headquartered in New York, has 165,000 global employees and is one of the big four accounting firms along with Ernst & Young, KPMG and PricewaterhouseCoopers. Consulting accounted for over 20% of its \$27.4 billion of revenue in 2008.<sup>95</sup> Its U.S. unit, Deloitte & Touche USA LLP (Deloitte US) includes Deloitte & Touche (for accounting), Deloitte Consulting, Deloitte Financial Advisory Services, Deloitte Tax and Deloitte Services.

Deloitte US boasts that it has “1,000-plus public sector practitioners,” who “bring a thorough understanding of government programs and operations.” Its public sector consulting focuses on “strategy and operations, human capital, technology integration and enterprise application services” combining Deloitte’s “experience and knowledge of state government operations” with “commercial best practices in business and technology.”<sup>96</sup>

Deloitte Consulting’s extremely lucrative business in Pennsylvania became a matter of controversy last year after the Harrisburg *Patriot-News* reported that its income from the state from 2002-2007 approached the half billion dollar mark.<sup>97</sup> The Deloitte payments, mainly for IT services (one payment of \$306 million went to Deloitte for services to the Department of Public Welfare) raised eyebrows because, the *Patriot-News* reported, because several people in Gov. Ed Rendell’s administration were former Deloitte employees. Art Stephens, Rendell’s deputy chief of staff, is a former Deloitte partner. Kristen Miller, who succeeded Stephens as Pennsylvania’s chief information officer, was a former senior manager at Deloitte (she later returned to the same position at Deloitte). A deputy chief information officer for health and human services also worked for Deloitte Consulting as a public sector consultant. The *Patriot-News* quoted one former

employee as saying that Deloitte is “driving the agenda” on IT needs and services at the Department of Public Welfare.<sup>98</sup>

William D. Eggers and Robert N. Campbell III, two of the intellectual leaders of the public sector privatization movement, which grew out of the efforts of conservative think tanks such as the Reason Public Policy Institute, Cato Institute, and Heritage Foundation, play significant roles in Deloitte’s public sector practice. (The number and issue coverage of think tanks active on privatization, government contracting, and public-private partnerships has grown significantly; see Appendix 2). Eggers is global director for Deloitte Research—Public Sector, and Campbell is vice chairman of Deloitte & Touche USA and national director of its U.S. public sector practice.

Eggers and Campbell are the editors of the most comprehensive handbook for privatizing state government available, *States of Transition: Tackling Government’s Toughest Policy and Management Challenges*, to which they contributed two strategy chapters. Other chapters cover “human capital,” the pensions crisis, “fixing Medicaid,” health and human services, emergency preparedness, education reform (focusing on decentralization, charter schools and shared services), infrastructure (advocating public private partnerships and tax exempt private activity bonds to overcome the fact that government-issued tax exempt debt is cheaper than private sector financing).<sup>99</sup>

Greg Pellegrino, global managing director for the public sector at Deloitte Consulting, is also widely interviewed and quoted in the consulting industry media on state and local government issues. He recently wrote that the impact of the economic downturn may be to accelerate privatization:<sup>100</sup>

*“The relationship between public and private sector operations may also change as a result of the crisis. Public resources that currently return little value, such as abandoned land and buildings, may blossom into productivity under the contractual stewardship of private entrepreneurs. At the same time, an expanded public sector may be more attractive to investors, especially in comparison to faltering private equities, and better able to negotiate financing terms.”*

Infrastructure will figure centrally in Pellegrino’s scenario:<sup>101</sup>

*“Infrastructure will be the great benefactor of the financial crisis as the asset class is the center of attention of the financial industry. In fact, it will have an immediate impact on infrastructure. With securitization constrained, mono lines out of play, and private equity showing poor results, global investors will increase focus on infrastructure, which is relatively resilient because of risk profile. It is stable and predictable at the long term, and revenues from infrastructure projects are fairly inelastic to the wider conditions in an economy as the demand generally remains strong (e.g: drivers still need to pay the toll for the use of a road or bridge). Globally,*

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*infrastructure was already in need of significant investment even before the crisis added new impetus for public spending. In addition, the governments will also invest in infrastructure to drive job creation. Governments trying to keep pace with growth may find that innovative financing strategies, such as public-private partnerships (PPPs), provide a useful alternative.”*

**Mayer Brown:** One of the leading law firms in the field of infrastructure privatizations in the U.S., with offices in Charlotte, Chicago, Houston, Los Angeles, New York, Palo Alto, and Washington, DC. “These include the first US airport and first US toll road privatizations.”<sup>102</sup> Mayer Brown partner John R. Schmidt leads its privatization practice. Schmidt served as counsel to the city of Chicago during its \$1.83 billion privatization of the Chicago Skyway Toll Bridge, represented Indiana in its \$3.8 billion privatization of the Indiana toll road, has worked on the proposed privatization of the Pennsylvania Turnpike, and represents the city of Chicago in the proposed privatization of Midway Airport, which is awaiting FAA approval. Schmidt is well connected nationally and locally, having been Mayor Richard M. Daley’s chief of staff in 1989, a key fundraiser and associate attorney general for president Clinton in the 1990s, and a key backer of Barack Obama’s voter registration drive in the 1992 presidential election. Mayer Brown is a sponsor of the National Council for Public Private Partnerships.

**Public Strategies Group:** Based in St. Paul, Minnesota, the Public Strategies Group is a boutique public sector consulting firm that specializes in government performance and training on “customer focused internal services in a competitive marketplace.”<sup>103</sup> PSG co-founder Peter Hutchinson ran the Minneapolis schools from 1993-1997. Though small, PSG has very effectively drilled its “budgeting for outcomes” model through an extensive network of city and local government organization in the U.S. David Osborne, who was a senior advisor to Vice President Gore’s “Reinventing Government Task Force,” is a senior partner at PSG and the author of *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (2004; co-authored with Hutchinson); the 600 page *Reinventor's Fieldbook: Tools for Transforming Your Government* (2000), *Banishing Bureaucracy: The Five Strategies For Reinventing Government* (1997), *Reinventing Government* (1992), and *Laboratories of Democracy* (1988). With a staff and consultant network of 52, PSG has worked with government entities in 21 states.<sup>104</sup>

In addition to the public sector consulting groups and the major owner-operator groups that have invested in toll roads, airports, health, education, hospitals and schools, such as Abertis, Cintra SA, Grupo Ferrovial and the Sacyr Vallehermoso Group, there are new funds that are driving infrastructure privatization.

### Appendix 1

#### New Infrastructure Funds, 2006-2007

[Source: Ryan J. Orr, "The Rise of Infra Funds," Table 2]

Institution/ Fund Name	Fund Size US\$m	Home Office	Fund focus
2i Capital Group	300	India	In conjunction with Oman-based Amwal Investment SAOC, will launch a seven-yr shari'ah-compliant Indian Infrastructure Development Fund.
3i Infrastructure Ltd.	2,574	UK	3i Infrastructure Ltd will take equity investments in entities owning infrastructure businesses and assets, in Europe, North America and Asia
ABN Amro Infrastructure Capital Equity Fund	1,350	Netherlands	Focus on European equity investments in PFI/PPP-style projects, especially schools, ports, toll roads and prisons.
Abraaj Capital	2,000	UAE	Shari'a-compliant Infrastructure and Growth Capital Fund (IGCF), co-sponsored by Deutsche Bank and Ithmaar Bank, targeting IRR of 20% and life of 10 year. (US\$500m committed as of Dec. 31, 2006)
Ahorro Corporacion Infraestructuras	435	Spain	Focus on infrastructure in Spain.
AIG	3,000	USA	AIG has allocated capital from its financial products business towards infrastructure.
AIG Highstar Capital	2,000	USA	Over the years, AIG has had various infrastructure funds in cooperation with Bechtel, EMP, and others. AIG Highstar is one such fund.
Alinda Capital Partners LLC	3,000	USA	Regional focus on brownfield assets in North America and Europe. When first announced the fund was targeting US\$1bn, but now is rumored to be raising up to US\$3bn.
AMPCapital Investors	500	Australia	Will invest in Asian power and port projects; more than half destined for India.
Atherstone India Invest (AII)	1,000	India	India AII is a JV between the Atherstone Group based in Mumbai and Switzerland-based India Invest focused on investing in infrastructure service companies.

Australian Infrastructure Fund	316	Australia	Focus on transport; managed by Hastings.
Axa IM Infrastructure	680	France	The Infrastructure Group currently manages €1.2bn in assets. Focused on project finance and PPP transactions.
Babcock& Brown	1,700	Australia	Focus on energy transmission and distribution and transportation in Australia and internationally.
Barclays European Infrastructure Fund	362	UK	Focus on all aspects of European infrastructure development, with specialist funds for both Greenfield and Brownfield projects.
Barclays Private Equity	1,350	UK	Focus on new infrastructure development.
Benetton family (thru Edizione Holding)	0	Italy	The family currently controls 37% of Autostrade S.p.A., an operator of nearly two-thirds of Italy's motorways.
Borealis	10,000	Canada	Manages OMERS infrastructure investments with a primary focus in Canada.
Caisse de Dèpôt	5,000	Canada	Focus on energy, water, transportation, and gas distribution in Europe and North America.
Carlyle Group	1,000	USA	U.S. infrastructure, such as rail, airports, water assets, schools, hospitals.
Carlyle Group and Riverstone Holdings	685	USA	Renewable Energy Infrastructure Fund
Carlyle Riverstone Global E&P Fund III	3,800	USA	Oil, power and natural resources.
Challenger	800	Australia	Invests in a diversified portfolio of global infrastructure assets.
Citigroup, Blackstone and IDFC	2,000	USA-India	Telecom, power, oil and gas and other value added infrastructure projects in India; the fund will raise another US\$3bn in debt.
Citigroup	3,000	USA	Started within the private equity arm of Citigroup; focus on North America and Europe.
Cityspring	150	Singapore	IPO on the Singapore exchange; majority shareholder is Temasek. Focus on gas distribution and seawater desalination in Singapore.
CPP Investment Board	7,000	Canada	The Canadian Pension Plan has allocated up to 10% of its US\$80bn reserve fund to infrastructure.

DB RREEF	1,350	USA	The infrastructure and real estate arm of Deutsche Asset Management, will concentrate on western European assets, spanning transport, communications and utilities.
DIC& HSBCMENA Infrastructure Fund	500	UAE	Greenfield and brownfield Infrastructure.
DLF Laing O'Rourke JV	1,500	UK-India	Plan to invest in an array of projects in India, including railways, national highways, airports and oil, gas, water pipelines.
Emerging Capital Partners MENA Fund	225	USA	An offshoot from EMP Global, the fund focuses on infrastructure projects in Northern African countries and Middle East.
F2i Infrastructure Fund	2,700	Italy	Focus on Italian roads, airports, ports, parking lots, and energy transmission grids. Aims to list in 5 years.
FIDE PPP	272	France	Focus on infrastructure.
First Irish Infrastructure Fund	204	Ireland	A joint AIB/EIB fund established for the purpose of investing in PPP projects and private sector infrastructure developments in Ireland and across Europe.
Fondo PPP Italia	163	Italy	An Italian equity fund devoted to investing in PPP projects.
GE and Credit Suisse	1,000	USA	They will each invest US\$500m in a new fund to invest in power plants, pipelines, airports, railroads and toll roads located across the globe.
Goldman Sachs	6,500	USA	This fund was rumored to be US\$3bn when first announced, but closed at US\$6.5bn on Feb. 1, 2007; Regional focus of North America and Europe.
Gulf One Infrastructure Fund	2,000	Bahrain	Water and other infrastructure projects in the GCC countries and the MENA region.
Hastings Infrastructure Fund	45	Australia	Focus on roads, airports, electricity, gas, alternative waste treatment.
HBOS, Uberior	990	Scotland	Uberior operates as a holding company for investments arranged by Bank of Scotland's Joint Ventures team, a part of Halifax Bank of Scotland's Corporate division.
Henderson Secondary PFI Funds I	660	UK	Global Investment in Europe, Asia and America.
Henderson Secondary PFI Funds II	1,129	UK	Global Investment in Europe, Asia and America.
HSBC Infrastructure Company	253	UK	Focus on the UKPFI/PPP market, including government offices and facilities, schools, hospitals and transport links.

IDFC	630	India	Greenfield and brownfield infrastructure in India. This is their second fund. It was originally announced at US\$350-450m but closed at US\$630m.
IL&FS Managers & ADIC Infrastructure	1,000	Abu Dhabi	Energy, roads, power and water supply in North Africa and West Asia.
Infrastructure Investors (I2)	898	UK	Focus on utilities, healthcare, education in UK and European countries.
Innisfree funds (x5)	2,357	UK	Focus on health, education, transport and government accommodations.
Japan Infrastructure Group	0	Japan	A partnership between Macquarie and Japan Development Bank to focus on Japanese infrastructure.
JPMorgan	2,000	USA	Announced an infrastructure group to complement its real estate group.
Kohlberg Kravis Roberts	3,000	USA	Focus on ports, utilities, roads and airports.
Macquarie Airports (Map/MAG)	4,080	Australia	Focus on global airport investments.
Macquarie European Infra. Fund II	6,300	Australia	Infrastructure in Europe. This fund closed in May 2007.
Macquarie Infra. Partners	4,000	Australia	Infrastructure in North America. This fund closed to new investors in May 2007.
Macquarie Infrastructure Group	1,000	Australia	Dedicated India fund.
Macquarie Korea Infrastructure Fund	964	Korea	Fund closed; capital raised in an IPO in South Korea.
Meridiam Infrastructure	810	USA	Transport, public facilities and environmental PPP projects in Europe and the USA.
Merrill Lynch	5,000	USA	N/A
Mill Group JV	204	UK	Main focus is in accommodation projects delivered through the Public Private Partnership Programme, particularly schools
Morgan Stanley	3,000	USA	Dedicated infrastructure fund.

Ontario Teachers Pension Plan	3,500	Canada	Have US\$6.2bn in infrastructure under management
Pan African Infrastructure Development Fund	1,000	South Africa	Telecoms, transport, and energy in Africa.
Peugeot family	0	France	The family has participated as a financial investor in large club deals to acquire infrastructure assets.
Plenary Group	0	Australia	Investor, developer and operator with a focus on North American and Australian PPP projects. Strategic alliance with Deutsche Bank.
Quayle Munro, PFI Infrastructure Fund	88	Scotland	Focus is on schools, hospitals, street lighting and MOD housing where the economic return is not highly or totally dependent on demand.
Royal Bank Project Investments, RBS	50	Scotland	Estimated capital available to support financing opportunities in the power, oil, gas and infrastructure sectors.
Santander Infrastructures	218	Spain	Fund aimed at institutional investors and focused on investment in non-listed infrastructure companies and infrastructure projects.
SEASAF	250	Malaysia	A private equity fund investing in the infrastructure in South East Asia, founded by CIMB and Standard Bank.
Secondary Market Infrastructure Fund	802	UK	Seeks infrastructure assets throughout Western Europe at varying stages of development. HSBC appears to have committed \$500 m.
South Europe Infrastructure Equity Finance	204	Luxembourg	Dexia and European Investment Bank, targets medium size PPP transactions predominantly in France, Italy, Spain and Portugal.
StarCapital Partners I	790	UK	Focus on Transportation, Communications, Services, Energy.
StarCapital Partners II	1,156	UK	Focus on Transportation, Communications, Services, Energy.
Terra Firma	5,000	UK	TF has two funds—TFCPI and TFCPII—under management and has invested more than US\$10bn.
ZonesCorp Infrastructure Fund	272	Abu Dhabi	A joint venture between Abu Dhabi Commercial Bank (75% equity) and the Macquarie Bank Group (25% equity) to focus on the Abu Dhabi emirate.
<b>Total (US\$mn)</b>	<b>122,066</b>		

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The number and issue coverage of think tanks and other organizations producing research and advocacy materials relating to privatization, government contracting and public-private partnerships has grown significantly.

## Appendix 2

### Selected Think Tanks, Industry Associations and Policy Networks Concerned with Privatization & Government Contracting and Performance

A-76 Institute	Business oriented
Accenture Institute for Public Service Value	Business oriented
American Legislative Exchange Council	Conservative
Cato	Conservative/libertarian
Center for Digital Government	Business oriented
Citizens Against Government Waste	Conservative
Club for Growth	Conservative
Coalition for Government Procurement	Business oriented
Coalition for Strengthening America's Infrastructure	Business oriented
Contract Services Association	Business oriented
Deloitte Public Leadership Institute	Business oriented
Demos UK	Centrist
Global Forum on Reinventing Government	Centrist
Innovations in American Government Program/Harvard	Centrist
Institute for Public Policy Research (UK)	Centrist
International Association of Outsourcing Professionals	Business oriented
Keston Institute for Public Finance and Infrastructure Policy	Centrist
McKinsey Institute	Business oriented
National Conference of State Legislatures Foundation	Centrist
National Contract Management Assn	Business oriented
National Council for Public Private Partnerships	Business oriented
Performance Institute	Conservative
Professional Services Council	Centrist
Progressive Policy Institute	Centrist
Reason Public Policy Institute	Conservative/libertarian

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## Endnotes

<sup>1</sup> This despite the relative continuity of some of the basic challenges and solutions to effective public administration over the past century. See Laurence E. Lynn, Jr., “Public Administration in the Twenty-First Century,” *Public Administration Review*, Vol. 63, No. 5, Sept.-Oct. 2003, p. 634.

<sup>2</sup> The appropriate language for selling public sector privatization is a matter of active applied research in the think tanks. Demos UK, for instance, which works closely with PricewaterhouseCoopers, has refined the vocabulary of “public service codesign.” The jargon of co-design is now, according to Demos UK, “an international movement. See the jointly-sponsored report of Demos and PricewaterhouseCoopers, Peter Bradwell and Sarah Marr, *Making the Most of Collaboration: An International Survey of Co-design*, Demos Report 23, 2008) [PDF]. The idea’s proponents hope it will “dramatically increase the probability of stakeholder ‘buy-in’.” See e.g., Klaus D. Heinert, “[Codesign: Beyond Drawing Lines in the Sand](#),” *YOURPlace* magazine, August 2006.

<sup>3</sup> For the different types of infrastructure public-private partnerships see William D. Eggers and Robert N. Campbell III, eds., *States of Transition: Tackling Government’s Toughest Policy and Management Challenges* (Deloitte Development LLC, 2006), pp. 252-253.

<sup>4</sup> Jan Murphy, “Pennsylvania’s Payouts to Deloitte Consulting Near Half-Billion Dollars,” *The Patriot-News*, February 24, 2008.

<sup>5</sup> Jane E. Fountain, “Central Issues in the Political Development of the Virtual State,” Paper prepared for The Network Society and the Knowledge Economy: Portugal in the Global Context, Lisbon, March 4-5, 2005, p. 20.

<sup>6</sup> [Ryan J. Orr, “The Rise of Infra Funds.” \*Global Infrastructure Report 2007\* \[PDF\]. London: Project Finance International, 2007, p. 2.](#)

<sup>7</sup> Robert N. Palter, Jay Walder and Stian Westlake, “How Investors Can Get More Out of Infrastructure,” *The McKinsey Quarterly*, March 2008.

<sup>8</sup> Jenny Anderson, “[Cities Debate Privatizing Public Infrastructure](#),” *The New York Times*, August 27, 2008.

<sup>9</sup> “[A \\$400 Billion Solution?](#)” *Innovation Briefs*, Vol. 19, No. 8, March 10, 2008.

<sup>10</sup> *Mother Jones* magazine reported that Florian, who advised Chicago and Indiana on their road privatization deals, visited 35 statehouses to “help spur the market.” Daniel Schulman with James Ridgeway, “The Highwaymen: Why You Could Soon Be Paying Wall Street Investors, Australian Bankers, And Spanish Builders For The Privilege Of Driving On American Roads,” [Mother Jones, January/February 2007](#).

<sup>11</sup> Ibid.

<sup>12</sup> Cezary Podkul, “\$180bn of Private Capital Available for Infrastructure,” [PEI Infrastructure Investor](#), January 22, 2009.

<sup>13</sup> Schulman and Ridgeway, “The Highwaymen.”

<sup>14</sup> “Project & Infrastructure Finance,” [A.E. Feldman website](#).

<sup>15</sup> Ryan J. Orr, “The Legacy and Lessons of Distressed & Failed Infrastructure Investments in the 1990s—Introduction to the Special Issue,” *Transnational Dispute Management*, Vol. 4, Issue #02 (April 2007). See also [an earlier PowerPoint by Orr](#).

<sup>16</sup> Coverage of the inefficiencies and scandals in the public sector management consulting industry is much wider in the United Kingdom. See, e.g., David Craig, *Plundering the Public Sector: How New Labour are Letting Consultants Run off with £70 Billion of Our Money* (London: Constable, 2006); Bryan Appleyard, “Blair’s Barmy Army,” [The Sunday Times](#) (London), November 26, 2006.

<sup>17</sup> For a recent history see Christopher D. McKenna, *The World’s Newest Profession: Management Consulting in the Twentieth Century* (Cambridge: Cambridge University Press, 2006), especially chapter 4, “Creating the Contractor State.”

<sup>18</sup> Mary Mcinerney, “Tuning into Monitor: Secretive, Circumspect and Admittedly Offbeat, A Consulting Firm Glories in its Growing Reputation for Being ‘Different’,” [Boston Business Journal](#), July 20, 2001.

<sup>19</sup> Jonathan Walters, “Going Outside” *Governing Magazine*, May 2004. Kelly Matthews, *Research Summary: Public Sector Consulting Marketplace 2007-2010* (Peterborough, NH: Kennedy Information, Inc, 2007), p. 1.

<sup>20</sup> Eric Krell, “Social Work: Consulting in the Public Sector,” [Consulting](#) magazine, September 9, 2008.

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- <sup>21</sup> Kelly Matthews, *Research Summary*, p. 2.
- <sup>22</sup> See Deloitte, “[2009 Industry Outlook: Government](#)—A perspective for U.S. Federal and State Government” (January 2009); and “[Driving State Transformation in An Economic Downturn: Think Beyond Survival](#).”
- <sup>23</sup> See [2008 NASACT Annual Conference Presentations](#).
- <sup>24</sup> Eric Krell, “Social Work.”
- <sup>25</sup> “New York State Changes Rules on Use of Consultants by State Agencies,” *Government Technology*, June 9, 2008. The NY State task force is due to report its findings on October 1, 2009 and every year thereafter.
- <sup>26</sup> Eggers serves as Global Director for Deloitte Research-Public Sector, is a senior fellow at the Manhattan Institute and a former director of government reform at the Reason Public Policy Foundation, a leading privatization think tank.
- <sup>27</sup> Eggers and Campbell, eds., *States of Transition*, p. 13.
- <sup>28</sup> Eric Krell, “Social Work.”
- <sup>29</sup> William D. Eggers, *Government 2.0: Using Technology to Improve Education, Cut Red Tape, Reduce Gridlock, and Enhance Democracy* (Rowman & Littlefield, 2005).
- <sup>30</sup> “Manhattan Institute Scholar: Stephen Goldsmith,” [Manhattan Institute website](#).
- <sup>31</sup> Kelly Matthews, *Research Summary: Public Sector Consulting Marketplace 2007-2010* (Peterborough, NH: Kennedy Information, Inc, 2007), p. 3.
- <sup>32</sup> A.T. Kearney, *Execution is Everything: The Keys to Offshore Success*, n.d. [PDF]
- <sup>33</sup> Hoover’s Company Records - In-depth Records, 2009, Accenture Ltd.
- <sup>34</sup> See e.g., [Accenture’s PowerPoint presentation to the 2007 National Association of State Auditors, Comptrollers and Treasurers \(NASACT\)](#), slides 24 and 27.
- <sup>35</sup> “[State of Kansas selects Accenture to design and deploy state-wide financial system](#),” ConsultantNews.com, October 28, 2008.
- <sup>36</sup> “Accenture Releases Global Study on Outsourcing Government Services to Private Sector,” [Accenture press release](#), February 27, 2002.
- <sup>37</sup> See “Accenture’s Track Record” in AFSCME, *Safety Net for Sale: The Dangers of Privatizing Social Services*, p. 14-17 [PDF].
- <sup>38</sup> “[Profiting Privateers: Public Money For Private Greed](#),” (January 13, 1999), Canadian Union of Public Employees (CUPE) website. See also, “Accenture: A snapshot of cost overruns, job loss and dissatisfaction,” (June 24, 2003). The CUPE website is an excellent source of information on efforts to resist privatization, including its monthly report [Privatization Watch](#), with extensive archives going back to 2002.
- <sup>39</sup> For an extensive list of media reports on these issues concerning Accenture [see AFSCME’s Privatization Update database](#).
- <sup>40</sup> See Telis Demos, “The Hottest Business On Wall Street: Restructurers Alvarez & Marsal Are Already Profiting From Corporate America’s Credit-Market Misery,” *Fortune*, February 21, 2008.
- <sup>41</sup> “Behind the Bus Botch,” *Gotham Gazette*, February 1st, 2007. See also BETSY GOTBAUM Give parents more power in New York City school system, *NY Daily News*, September 29, 2008.
- <sup>42</sup> “Alvarez & Marsal Expands Public Sector Group: Seasoned Public Sector Adviser Carl Kiefer Joins as a Managing Director,” [A&M press release](#), October 17, 2008.
- <sup>43</sup> Hoover’s Company Records - In-depth Records, 2009, Bain & Company, Inc.
- <sup>44</sup> See “From Big Business To Big Government: How Public-Sector Work Is Reshaping Management-Consultancy,” *The Economist*, September 8, 2005.
- <sup>45</sup> “Mayor Franklin’s Fiscal Report To Reorganize City Government: Analysis Will Lead To More Efficiency,” [City of Atlanta press release](#), March 13, 2002.
- <sup>46</sup> *Bain & Company Pro Bono Project 2002 Budget Analysis and Benchmarking Final Report For The City of Atlanta*, March 21, 2002, p. 3 [PDF].
- <sup>47</sup> “Mayor Franklin Continues Efforts To Reform Government,” [City of Atlanta press release](#), July 18, 2008.
- <sup>48</sup> California Business Roundtable and Bain & Co., [California Competitiveness Project](#). [PDF]
- <sup>49</sup> California Business Roundtable, [California Competitiveness Project: Preliminary Recommendations](#). [PDF]

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- <sup>50</sup> Jed Kolko and David Neumark, [Are California's Companies Shifting Their Employment to Other States?](#) Public Policy Institute of California, February 15, 2007. [PDF]
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- <sup>52</sup> "BearingPoint's industry specialists have provided privatization support to the highest levels of the Army, Navy, Defense Energy Support Center (DESC), and the Office of the Secretary of Defense (OSD)." ["Privatization Solutions"](#) on BearingPoint website.
- <sup>53</sup> Eric Krell, "Social Work."
- <sup>54</sup> Outlined in a 2007 BearingPoint PowerPoint [presentation to NASACT](#). [PDF].
- <sup>55</sup> ["United States"](#), BearingPoint website.
- <sup>56</sup> Private Troubles, Public Dollars," [St. Petersburg Times](#), May 23, 2007.
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- <sup>58</sup> "BearingPoint Awarded \$50 Million Contract for New Missouri Motor Vehicle Technology Project," [Business Wire](#), Oct 24, 2007.
- <sup>59</sup> ["Civil Government"](#), Booz Allen website.
- <sup>60</sup> Hoover's Company Records - In-depth Records, 2009, Booz & Company.
- <sup>61</sup> Booz Allen claims its "expeience with e-government is extensive, having worked over the years on projects in Germany, the U.K., and the U.S." Booz Allen Hamilton, [Annual Report 2006-2007](#) [PDF], p. 20.
- <sup>62</sup> Integrated Financial Resource Management (iFRM), [BAH website](#).
- <sup>63</sup> Booz Allen Hamilton, *Beyond e-Government: The World's Most Successful Technology-enabled Transformations*, p. 25, 38.
- <sup>64</sup> See the [Booz Allen PowerPoint presentation](#) to the Connected Vehicle Trade Association conference in October 2005, slide 8.
- <sup>65</sup> See County of San Diego, [Managed Competition and Reengineering Training Manual](#), section 3, reengineering.
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- <sup>74</sup> Ibid., slides 178-181.
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- <sup>85</sup> “Human Services,” [CGI website](#) [PDF].
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