



# Fact Sheet: Accenture

## Just who is this company taking over BC Hydro?

On July 18, 2002, BC Hydro announced a Memorandum of Understanding with Accenture to privatize customer services, Westech (information systems and services), network computing services, human resources, financial systems, purchasing, disbursement services, property services, and business and office supplies.

Billed as “outsourcing customer services”, this deal involves handing over the brains of BC Hydro and key controls of every part of BC Hydro’s operations including its transmission, distribution and power generation functions. The MOU doubles the number of service initially put up for sale by BC Hydro. This massive sell-off will involve privatizing up to 2000 BC Hydro employees - 1/3 of its total workforce.

Most of the MOU has been blacked out and terms of the actual agreement are being negotiated in secret. What we do know is that initially Accenture and BC Hydro would enter into a joint venture, with BC Hydro as a minority partner. Within a short period of time, perhaps two years, Accenture would acquire full control of the new enterprise. The agreement would be for a 10-year period and is scheduled to be signed by the end of 2002.

Under provisions of the North America Free Trade Agreement and the World Trade Organization, the financial penalties of a future government ever reassuming control of the these operations would be cost prohibitive. Once it’s gone, it’s gone forever.

There has been no public consultation for what has been described by BC Hydro itself as one of the largest deals of its kind in BC history.

Accenture has also assumed control of CustomerWorks, the customer care service for BC Gas and Enbridge.

Accenture was also intimately involved in the electricity restructuring in Alberta. According to their website: "as the Province of Alberta moved toward deregulation of the power market... Accenture worked with the Power Pool of Alberta to create, deliver, and implement the infrastructure to provide market trading and settlement business functions and interfaces between Power Pool’s participants and the market operator." (Source: [http://www.accenture.ca/xd/xd.asp?xd=industries\res\res\\_case\\_ppoa.xml](http://www.accenture.ca/xd/xd.asp?xd=industries\res\res_case_ppoa.xml))

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## Who is Accenture?

Accenture is a multinational consulting company with its headquarters in Bermuda, a popular tax haven for corporations. Accenture operates regional offices throughout the world and has embarked on an aggressive campaign to win government contracts for computer systems and customer services. Recently, they have also expanded into public utilities throughout North America.

Before 2000, Accenture was known as Andersen Consulting, the consulting arm of Arthur Andersen, the accounting firm implicated in the Enron scandal. In 2000, Andersen Consulting (then a Chicago-based partnership) undertook the largest re-branding initiative in corporate history. It renamed the company Accenture, went public as a corporation, and relocated their head office to Bermuda. (Source: "Accenture and Monday employ three tax havens." Glen Simpson, Wall Street Journal, July 3, 2002.)

Why would Accenture locate its head offices in Bermuda? It's not for the weather. According to documents filed by Accenture in July 2001 to the Securities and Exchange Commission (SEC), taxes and legal advantages seem to be the priorities. According to Accenture's own SEC documents:

"We are not subject to tax in Bermuda on our income or capital gains."

"It may not be possible to enforce court judgements obtained in the United States against us in Bermuda or in other countries other than the United States where we have assets."

"Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of the company." (Source: "Accenture: My holiday home in Bermuda." Philippe Rose, Le Monde Informatique. ITworld.com. November 23, 2001 and Accenture SEC filings: <http://biz.yahoo.com/e/1/a/can.html>)

## Accenture has a history of controversial deals.

### California

California state Treasurer Phil Angelides has said California will not do any business with the corporation for locating its head offices overseas. According to Angelides: "Corporations hiding behind a mailbox in Bermuda are shirking their duty as Americans, and undermining confidence in the financial markets. These sham transactions, like the accounting scandals at Enron and WorldCom, are the kinds of deceptive corporate practices that have shaken the financial marketplace, and cost families, pensioners, and taxpayers billions." Despite Accenture protests that it should not be included in a list with 21 other companies because "Accenture never was an

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American company,” according to Roxanne Taylor, its director of corporate communications, **the California State Treasurer has not reversed his position to date.** (Source: News Release, California State Treasurer’s Office, Thursday July 25, 2002)

## Florida

Members of Florida’s Joint Legislative Auditing Committee have blasted a nine-year, \$69 million deal to hire Accenture to provide a call centre and online licensing system for the Department of Business and Professional Regulation. State Auditor General Bill Monroe says that the deal will wind up costing the state \$30 million more than the current system – an allegation Accenture denies, claiming that the state will save more \$93 million. Republican Senators criticized the deal as “sloppy” and “pretty poor business practices.” (Source: “Agency defends Accenture contract.” Nancy Cook Lauer, Tallahassee Democrat, January 29, 2002.)

While Accenture claims it has legally split from Arthur Andersen (the auditors for the former energy giant Enron), some are expressing concerns about Accenture’s liability in the Enron scandal. Lawmakers in Florida have expressed concern over the relationship between the consulting company. While Accenture has provided assurances, many still question their liability. (Source: “Enron fallout prompts legislators to rewrite “purchasing.” Nancy Cook Lauer, Tallahassee Democrat, February 12, 2002.)

## Ontario

While Accenture considers the privatization of the Ontario welfare system a success, many critics, including the province’s Auditor General disagreed. At one point Accenture billed taxpayers \$26,000 in unreceipted expenses and Accenture management was paid up to \$575 an hour. In 2001, the Provincial Auditor reported that the cost ratio of having Accenture perform the work rather than public servants was 6 to 1 and that in 2000, while the Province saved \$89 million (primarily from cutting welfare payments), they paid Accenture \$193 million. (Sources: [www.polarisinstitute.org](http://www.polarisinstitute.org), “Workfare Fiasco”, Toronto Star, September 28th, 1999; “Opposition accuses consulting firm of hosing taxpayers”, Wendy McCann, Canadian Press Newswire, December 9th, 1999; “Some Consulting Service Fees Higher, Ministry Confirms”, Theresa Boyle, Toronto Star, December 10th, 1999; “Welfare Critics Rip Expansion of Computer System”, Peter Van Harten, *Hamilton Spectator*, September 5th, 2001; “Welfare contract called \$194 million boondoggle; Ont Says money being saved” Colin Perkel, *Canadian Press Newswire*, October 11, 2001; “MPPs slam provincial welfare deal”, Caroline Mallan, Toronto Star, October 12th, 2001; “Accent on Savings”, *Ottawa Citizen* Editorial, October 22, 2001; “Consultants Cost Province millions”, Richard Brennan and Katherine Harding, *Toronto Star*, December 1, 2001)

At one point, Accenture fitted social service workers with electronic tracking devices to record their every movement. Eventually, these were shelved under a storm of controversy. (Sources: [www.polarisinstitute.org](http://www.polarisinstitute.org), “Big Brother is watching Ontario’s bureaucrats: Workers fitted with tracking devices”, Tom Blackwell, *Montreal Gazette*, March 30, 2000; “Mike Harris, not social workers, should be fitted with an electronic tracking device, opposition says”, Canadian Press Newswire, March 30, 2000)

## Ohio

Up until 1998, the former welfare director of Ohio, Arnold Tompkins, awarded nearly \$26 million in unbid contracts to Accenture/Andersen Consulting. After leaving public office,

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Tompkins was given a \$10,000 a month job from Accenture. The contracts themselves were fraught with problems and eventually led to the reinstatement of original computer systems after too many complaints from workers and clients. The state was billed up to \$450/hour per manager and one consultant was paid \$123,000 for working 492 hours in a month (or 16 hours per day for 31 days.) (Sources: [www.polarisinstitute.org](http://www.polarisinstitute.org), "State Agency's Former Leader Accused of Wrongdoing" Columbus Dispatch, June 30, 2001; "State Probes \$26 million no-bid deal", Cleveland Plain Dealer, January 26, 2001; Ohio Works Problems Lead to Reinstatement of old job-matching, Dayton Daily News, March 12, 2001; "Tompkins' Sweet Deal", Cleveland Plain Dealer, November 13th, 2001; "Ex-Official Sentenced to Fix Computers", Tim Doulin, The Columbus Dispatch, November 3rd, 2001;"Ex-State Official to be Sentenced November 2, Catherine Candisky, September 15th, 2001"; "Job & Family Services runs into still more computer problems", Ted Wendling, Cleveland Plain Dealer, February 5th, 2002)

## **New York**

A system to enable private and public agencies to track child abuse reports has been filled with problems. It is incomplete, was nearly 3 years overdue, and cost \$362 million up to early 1999 - 3 times the original price tag. For example, Accenture/Andersen Consulting projected 5,448 billable days of working on the project, and it has grown to over 28,000, all at the expense of taxpayers. (Sources: [www.polarisinstitute.org](http://www.polarisinstitute.org), "Foster Care Agencies Fault Statewide Computer System", Somini Sengupta, New York Times, May 13, 2000;"Computer Costs Soar, Study Says", The Times Union (Albany, NY), March 11, 2001; "Experts offer a \$54 million solution", James M. Odatto, March 17, 2001)

## **New Brunswick**

Cancelled a \$60 million welfare system contract with Accenture/Andersen Consulting when cost estimates ballooned up to \$144 million. New Brunswick was forced to pay \$2.9 million in severance to get out of the deal. (Sources: [www.polarisinstitute.org](http://www.polarisinstitute.org), "Welfare Ripoffs Outlined By NDP", James Wallace and Antonella Artuso, Toronto Sun, November 5, 1998)

## **Texas**

Accenture/Andersen Consulting billed the state \$75 million, \$63 million more than the original estimate to develop a system to track child support in Texas. (Sources: [www.polarisinstitute.org](http://www.polarisinstitute.org), "Consulting Company has a track record of boosting billing", Wendy McCann, Canadian Press Newswire, November 4, 1998)

## **Nebraska**

Accenture/Andersen Consulting billed Nebraska \$24 million over the original estimate to automate social services programs. The state auditor called the project "the most wasteful I have ever heard of. It's like pouring money down a deep dark hole."([www.polarisinstitute.org](http://www.polarisinstitute.org), "Consulting Company has a track record of boosting billing", Wendy McCann, Canadian Press Newswire, November 4, 1998)

## **Virginia**

A 150% cost overrun in a 1996 contract to redesign computer systems for a county social service program. ([www.polarisinstitute.org](http://www.polarisinstitute.org), Consulting Company has a track record of boosting billing", Wendy McCann, Canadian Press Newswire, November 4, 1998)