

## Lord Browne's Body

*Beyond Business*

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**B**ritish Higher Education is being completely reshaped in the light of the Browne Review. The intention is to remodel the system along American lines, using the huge increase in student fees to both drive forward marketisation and privatisation, and to reshape the culture of British HE with Humanities provision shrinking and Business and Management Studies expanding (nearly one in four US students studies Business or Management subjects).<sup>1</sup> It is worth remembering that the Review was set up by New Labour with the personnel appointed to produce exactly that outcome. There was no student representation on the panel (something the LibDems actually condemned at the time – they were still after student votes) and, of course, no union representation. The review was headed by one of New Labour's favourite businessmen, Baron Browne of Madingley (he was ennobled as one of New Labour's 'people's peers' in 2001). What is less well-known is that, along with two hand-picked Vice Chancellors, it also included two veterans of the US consultancy firm, McKinsey

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1 For a good introduction to the state of US Higher Education see in particular, Frank Donoghue, *The Last Professors: The Corporate University and the Fate of the Humanities* (New York: Fordham University Press, 2008). Donoghue chronicles the emergence of a three tier HE system in the USA with the creation of a bottom tier of community college and for-profit providers dragging conditions in the whole system down. Whereas in the 1990s there were hardly any for-profit universities, by the time he was writing, there were 2,383, relying overwhelmingly on casual academic labour, working in terrible conditions. A 2002 survey showed that a third of US faculty had no office space made available by their employers, along with no paid holidays, no pension scheme etc. Across the HE sector as a whole in the US only 35% of academic staff are tenured or on the tenure track and the percentage is falling. Interestingly, one of the few British for-profit Universities, the London College of Traditional Acupuncture and Oriental Medicine (its degrees validated by the University of Portsmouth) actually went bust in November 2010, with students, including some who had taken out student loans, losing nearly £1 million in fees. The Coalition, which is committed to encouraging for-profit providers, refused to intervene.

and Co.: Michael Barber, the head of McKinsey's Global Education Practice, and Peter Sands, CEO of Britain's little known fourth largest bank, Standard Chartered, one of the architects of New Labour's bank bailout, and a McKinsey associate for 13 years. The review had a research budget of £120,000, which is a derisory amount considering the importance of their brief. Even more incredibly they only spent £68,000. This is pretty conclusive proof that the Review knew what it would recommend from the very beginning, that the whole exercise was a New Labour charade.

New Labour relied very heavily on McKinsey for advice during its time in office. Indeed, according to Simon Jenkins, under Blair, 'the day of consultancy government had arrived... Downing Street came under the influence of the McKinsey mafia'.<sup>2</sup> As late as February 2009, the New Labour government (Gordon Brown was prime minister and Alan Johnson was minister of health) commissioned a report on the NHS from McKinsey that recommended a modest 137,000 job cuts, a report that was understandably suppressed with the 2010 General Election approaching.

McKinsey have been described as 'the Jesuits of Capitalism'. The company boasts of 95 offices in over 50 countries, employs over 16,000 people and in 2002 had a turnover of \$6 billion. According to one study, if you look at some of the biggest companies in the US, the McKinsey influence is apparent. From finance to retail sales, manufacturing to transportation, and on into high technology, McKinsey business missionaries not only whisper and advise at the highest level, they have a propensity for moving from the consulting world into the executive suite. IBM, Sears, AT&T, American Express.....

At American Express, one insider complained 'that in his experience, McKinsey's people were primarily interested in telling management exactly what it wanted to hear....McKinsey has, indeed, provided the cover an executive needed to carry out distasteful dismissals, restructurings, downsizings'.<sup>3</sup> Most

<sup>2</sup> Simon Jenkins, *Thatcher & Sons*, (London: Penguin, 2007), p. 277

<sup>3</sup> James O'Shea and Charles Madigan, *Dangerous Company*, (London: Nicholas Brealey Publishing, 1999), pp. 256, 261-262

infamously, they advised Enron for nearly two decades, but to the surprise of industry experts, 'McKinsey managed to get out unscathed from the Enron debacle'.<sup>4</sup> Jeffrey Skilling, the president of Enron, currently serving a 24 year jail sentence, is a former McKinsey partner. McKinsey advised Railtrack and the BBC on how to cut costs.<sup>5</sup> After he left the BBC, Lord Birt (another Baron!) went to work for them. Another McKinsey man was Adair Turner (yet another Baron!), who, after heading the Confederation of British Industry from 1995 until 1999 (he was the third McKinsey associate in a row to head the organisation), went on to become a New Labour favourite. In 2002, he chaired an inquiry into pensions; in 2007 he became chairman of the Economic and Social Science Research Council; in 2008 chairman of the Committee on Climate Change (another member was Julia King, Vice Chancellor of Aston University, also a member of the Browne Review<sup>6</sup>); and that same year chairman of the Financial Services Authority.

Other McKinsey people in the Blair entourage included David Bennett, head of the Policy Directorate, Nick Lovegrove and Matthew Elson, both senior policy advisers. Lord Birt, having McKinsied the BBC and subsequently joined the consultancy, was installed by Blair as head of his Forward Strategy Unit. And, of course, the New Labour government threw money at McKinsey for consultancy contracts 'from the NHS to the defence ministry', the total amount a closely guarded secret.<sup>7</sup>

McKinsey's relationship with government has continued under Cameron: William Hague used to work for them and was welcomed by the *Economist* as 'the McKinsey Foreign Secretary'.<sup>8</sup> Another McKinsey man is Nat Wei, a Baron, of

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4 David Craig, *Rip-Off*, (The Original Book Company, 2005), p. 93

5 For McKinsey at the BBC see Craig (see note 4) pp. 170-174,

6 Julia King was a member of the Ministerial Group on Manufacturing and of the National Security Forum; for four years she was chair of the Defence Science Advisory Council; she was for a number of years a member of the Technology Strategy Board; and in 2007 Gordon Brown appointed her to head a review into low carbon transport.

7 Jenkins, see note 2, p. 277

8 *The Economist* 8 July 2010

course, who is Cameron's Big Society adviser.<sup>9</sup> They are the apostles of cuts, redundancies, casualisation, marketisation, privatisation and the maximising of shareholder value.

The Browne review has McKinsey written all over it. Indeed, it would have been better described as 'the McKinsey report'. There can be no serious doubt that if New Labour had won the General Election, students would still have been confronted with an increase in fees, although perhaps not the obscene increase the Coalition has introduced. The attack on the Humanities would have certainly taken place; but, once again, perhaps not as ferociously as it has under the Coalition. And the LibDems would still be piously calling for the abolition of fees! It was, it is important to remember, New Labour that transferred HE from the Education to the Business Dept (this was what Sherlock Holmes used to call a clue) and it was Lord Mandelson who appointed his good friend Lord Browne to head up the review. It is clear that the intention was, from the very beginning, to transform British Higher Education, to Americanise it, make it more entrepreneurial, more business oriented. The increase in student fees was to be the instrument whereby this was to be accomplished. What of Lord Browne?

He is a very modest man as can be seen from the subtitle of his autobiography, *'An Inspirational Memoir From A Visionary Leader'*. Here he portrays himself as a sort of amalgam of Indiana Jones, St Francis of Assisi and Henry Ford. 'My life's adventure', he tells us,

'would not only be touched by momentous events on the world stage but would also be shaped by political intrigue, and by rivalry between nations and companies to access and control the most valuable world resource at the end of the twentieth century: oil. But I would not be a passive observer. I would become one of the characters on the stage.....I too would touch and shape

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<sup>9</sup> Nat Wei famously suggested as part of the 'Big Society' initiative that 'middle and senior staff in local authorities....be invited to go to three or four days a week' and in the days freed up by going part-time they could 'be self-employed, run and franchise business, or get involved in their local community' - Nat Wei, Blog, 7 February 2011.

events.'

He became head of BP in 1995, after the Thatcher privatisation had 'finally released the company from its governmental state of mind. It could become more commercial and competitive'. He went on to 'transform BP into Britain's leading business and a global giant. BP became the world's second largest non-state oil company....BP became a force to be reckoned with'. And so, we are meant to conclude, did he. Now, he is giving us all the benefit of 'the insights I gained as I transformed a company, challenged a sector, and prompted political and business leaders to change'. His adventures included 'going toe-to-toe with tyrants, despots and elected leaders while bringing them around to my way of thinking'. (pp. 3-5) What a man!

One can quite easily see why New Labour found him irresistible. Indeed, he was so close to New Labour that BP was known as 'Blair Petroleum' in the City. This closeness included making private jets available for the use of New Labour dignitaries and providing well-paid jobs for selected individuals: for example, for Anji Hunter, Blair's closest aide, and for the former Labour leader John Smith's widow, now Baroness Smith (she was installed on the BP Advisory Board for Scotland). As Tom Bower has pointed out, 'neither woman knew much about oil or finance, but both enjoyed privileged access to Blair's inner sanctum'.<sup>10</sup> The late Philip Gould, a key New Labour figure and yet another Baron, 'was hired by BP for its rebranding exercise'.<sup>11</sup> And the traffic went both ways with BP executives joining government task-forces and the former BP chairman, David Simon, actually joining the government as Minister for European Trade and Competitiveness. He, too, inevitably became a Baron, courtesy of New Labour. As the US government prepared for the Iraq War, Browne publicly warned 'the Blair government that British oil companies would lose out against their American

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<sup>10</sup> Tom Bower, *The Squeeze: Oil, Money and Greed in the 21st Century*, (London: HarperCollins, 2009), p. 267

<sup>11</sup> Duncan Clarke, *Empires of Oil*, (London: Profile Books, 2007), p. 251

competitors if London did not participate in the war'.<sup>12</sup>

Browne transformed BP from a company in decline into one of the giants of the oil industry, something which earned him all the plaudits a businessman can accumulate. And, of course, he was well paid: in 2004 his total remuneration was £5.7 million. Much of his success was the result of take-overs accompanied by ruthless and relentless cost-cutting to drive up shareholder value. This earned him the affectionate nickname of the 'Elf' (evil little fucker) among BP employees.<sup>13</sup> According to Tom Bower, Browne 'presided over a corporate court filled with sycophants and where there was an unhealthy glorification of a boss who enjoyed unlimited expenses....with even his teddy bear being flown at the company's expense from California to London.'<sup>14</sup>

Browne attempted to give BP a 'greenwash', to project it as ecologically friendly, as having concern for the environment in its genes. This earned BP the first Greenpeace Emerald Paintbrush award in 2008 for the best impersonation of an environmentally friendly company, an achievement all the more impressive considering the stiff competition from Shell and Porsche. The reality was somewhat different. Browne, as Bower once again points out, was addicted

'to the wisdom handed down by McKinsey. Persuaded during his studies at Stanford in California that BP's experts could be replaced by consultants, he appeared to become a financial executive surrounded by accountants focused on balance sheets to satisfy the shareholders rather than harnessing engineering skills to manage a project.'<sup>15</sup>

BP's cost-cutting agenda was to result in disaster.

In March 2005 an explosion at BP's Texas City oil refinery

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<sup>12</sup> Lutz Kleveman, *The New Great game: Blood and Oil in Central Asia*, (London: Atlantic Books, 2003), p. 262. The Iraq War is not so much as mentioned in Browne's memoirs!

<sup>13</sup> Loren Steffy, *Drowning In Oil: BP and the Reckless Pursuit of Profit*, (London: McGraw Hill, 2011), p. 61

<sup>14</sup> Tom Bower, 'Return of Lord Oil-Slick', Mail Online at <[www.dailymail.co.uk/debate/article-1291663/Return-Lord-Oil-Slick-Why-Cameron-handed-Lord-Browne-key-job.html](http://www.dailymail.co.uk/debate/article-1291663/Return-Lord-Oil-Slick-Why-Cameron-handed-Lord-Browne-key-job.html)>

<sup>15</sup> Tom Bower, see note 10, pp. 97-98

killed fifteen workers and injured another 170. In his memoirs (p. 205), Browne refers to the report of the Baker Panel that BP had itself set up to investigate the disaster, a report that he acknowledges 'made painful reading', but he does not even mention the report of the Chemical Safety and Hazard Investigation Board (CSB) that was even more damning. As Loren Steffy points out, the Baker report 'came with a dose of public relations polish, a veneer of criticism that, while it may have appeared "savage", was still largely acceptable to BP.' The CSB report, unlike Baker, identified

'the role that cost-cutting played in the Texas City tragedy. The CSB found that Browne's mandate to cut 25 percent across the board in 1999 and again in 2004, coming after Amoco's cuts earlier in the decade, had directly contributed to the accident and that the cuts were made even as BP's own internal surveys were revealing increasing safety concerns at the refinery.'<sup>16</sup>

According to Bower, Browne never even read the CSB report.  
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The Texas City explosion led to the US Occupational Safety and Health Administration (OSHA) levying 'the largest fine in its history at the time - \$21 million'. BP's failure to implement the safety upgrades agreed led to yet another fine with the company topping the OSHA previous record with a fine of \$50.6 million. Even these record fines 'were tiny in comparison with the company's profits'. And BP continued to cut corners on safety: between 2007 and early 2010, the OSHA cited BP for 862 safety violations in its US refineries, 'nearly half all OSHA safety citations to the entire refining industry' and, overwhelmingly, the most serious.<sup>18</sup>

This was followed in March 2006 by the Prudhoe Bay oil spillage in Alaska, a disaster caused by BP's failure to prevent corrosion of its pipelines. Cutting maintenance, employing cheap subcontractors and covering up reports warning of possible danger led to 6,400 barrels of oil polluting two acres

<sup>16</sup> Steffy, see note 13, p. 119

<sup>17</sup> Bower, see note 10, p. 401

<sup>18</sup> William Freudenburg and Robert Gramling, *Blowout In The Gulf*, (Cambridge, Mass: the MIT Press, 2011), p. 42

of pristine tundra.<sup>19</sup> BP was fined £70 million. The Deepwater catastrophe in 2010, the worst oil spillage in US history, with eleven dead in the original explosion, even though it took place after his resignation from BP, is the culminating achievement of the regime that Browne established.

After the Alaskan spillage, Browne was coming to be seen as a liability and the BP board decided that he should retire in 2008, when he reached sixty, with a retirement package of £32 million to help him cope. According to BP chairman, Peter Sutherland, Browne was so full of his own self-importance, that he 'will only speak to presidents, prime ministers and kings'.<sup>20</sup>

Browne was trying to fight the threat of retirement when his ex-lover, Jeff Chevalier, a young male prostitute, approached the *Mail on Sunday* with the story of his luxury life-style courtesy of Lord Browne. Browne's attempt to prevent the publication of the story forced his early resignation. Browne lied to a High Court Judge, Mr Justice Eady, claiming that he had met Chevalier while jogging, whereas, in fact, he had met him on a website, 'suitedandbooted.com'. He subsequently claimed that he had lied to keep his sexuality private; but, given the fact that he was seen quite openly with Chevalier, it is much more likely that it was to prevent revelations concerning his life-style, the private dinners he had with Tony Blair (on one occasion Blair and Browne chatted convivially while sharing a £3,000 bottle of claret), Gordon Brown and Peter Mandelson, and aspects of BP business that he had revealed to Chevalier. Chevalier told the *Mail* that Browne was considering transferring BP's headquarters to the USA for tax purposes and that, according to Browne, the company was only prepared to spend £10 million on safety measures to prevent the death of a worker.

Mr Justice Eady condemned Browne for his 'willingness to tell a deliberate lie in court, persisted in for about two weeks', and, also, for his casual attempt to blacken the reputation of his ex-lover with unfounded accusations of blackmail, alcoholism and drug-taking. According to Browne, 'I had not

<sup>19</sup> For the Alaska disaster see Bower, see note 10, pp. 402-418.

<sup>20</sup> Bower, see note 10, p. 273

committed perjury'; but Eady made it absolutely clear that in his view Browne had 'committed a criminal contempt of court or, perhaps attempted to pervert the course of justice'.<sup>21</sup> Astonishingly, Eady decided not to refer Browne to the Director of Public Prosecutions on the grounds that the damage to his reputation was punishment enough. This was a mistake. People like Browne buy reputation.

Although he was forced to resign as CEO of BP, losing some £15 million in retirement benefits, he soon bounced back. His reputation was so damaged that his rich friends subsequently had him appointed chairman of the Tate and his New Labour friends (some of them overlapped with his rich friends) chose him, as we have seen, to Americanise British Higher Education. And he has never looked back. Today, Lord Browne is the head of a major private equity firm, Riverstone Holdings, and David Cameron has appointed him to a new post, Non-Executive Director at the Cabinet Office to lead the ConDem campaign to cut government spending. He has effortlessly substituted Cameron for Blair and the Tories for New Labour. The rich are like that!

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<sup>21</sup> Browne, see note 10 p. 222; Steffy, see note 13, pp. 130-131