

Congress of the United States

Washington, DC 20515

July 31, 2009

The Honorable Robert M. Gates
Secretary of Defense
The Pentagon
Washington, D.C. 20301-1000

Dear Mr. Secretary,

We write to express our concern regarding the current implementation plan for in-sourcing new and contracted-out functions in the Department of Defense and military services. We support your intent to seek the appropriate balance between contracted personnel and government workforce in the Department and commend your efforts in this area. However, we also want to ensure the pendulum does not swing too far or too fast—increasing the costs to the American taxpayer and decreasing the capability of the Department to execute its mission. Therefore, we urge you to consider a balanced and strategic approach to the implementation of your guidance across the various military installations throughout the country.

We would like to highlight some areas of concern regarding the Department's implementation guidance as promulgated by Deputy Secretary Lynn on May 28, 2009.

First, the implementation guidance has been disseminated across the Department and many of these installations and commands seem to have already commenced the in-sourcing process. However, lacking concrete service instructions for implementation, individual installations and commands appear to be using a "best judgment" approach to implementation. This translates into a lack of consistent approach between installations and commands, thereby causing unnecessary confusion among the contracting community and the federal workforce.

We believe the implementation process should be driven by a strategic assessment that results in decisions that best support the interests of our service members in uniform and the American taxpayers. The military services and DoD agencies should be required to conduct a work force analysis that determines who can best perform the work before determining whether to in-source it. We do not believe the process should be guided by vague objectives and goals to reduce contractors, or by haphazard budget reductions to meet those goals. A broad and strategic vision to guide this implementation will prevent unnecessarily rapid and hasty execution, and alleviate substantial levels of uncertainty and anxiety among the contractor workforce, small businesses, and government employees.

Second, the flow diagram titled "Process for Prioritizing and Reviewing Contracted Services for In-Sourcing" which is attachment 1 to Secretary Lynn's Memorandum, appears to show a very strong bias toward in-sourcing. Before you continue with the in-sourcing process, we would like to know the total number of positions which will be in-sourced and the annual impact to the Department of Defense budget as a result.

Third, paragraph 5.2.2 of Secretary Lynn's memorandum requires that a cost analysis be performed in certain cases. The flow diagram in Attachment 1 shows a cost analysis as the last step in the decision process. It is our understanding that the required cost analysis criteria to be promulgated by OSD PA&E per Secretary Lynn's memorandum has not yet been provided to the services. Therefore, we believe all in-sourcing should only be conducted once this guidance has been published.

When addressing the issue of costs related to in-sourcing decisions, it is imperative that the total costs be fully incorporated into the analysis. Realistic government cost estimates should include the government's total overhead costs, personnel costs, facilities, equipment, supplies, and health and retirement benefits. While the Department's guidance addresses cost, we do not believe it adequately confronts the issue of total cost. The military services and agencies should be required to analyze and demonstrate cost savings when deciding to in-source work that is currently being done by the private sector.

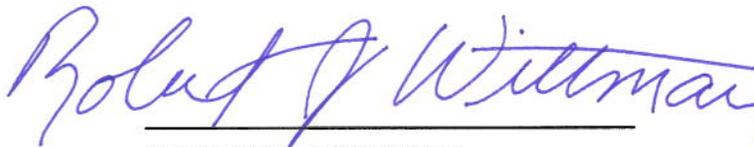
Transparency and communication are essential to any successful transition. Unfortunately, a clear message or vision does not appear to be being communicated to many DoD installations, fueling more speculation and apprehension about future employment, particularly in these difficult economic times for our country. We urge you to keep this process as transparent as possible for the American people and to keep Congress fully informed as to the implementation strategy, timeline, metrics and results.

As you move forward with your plan to scale back the role of contractors in support services, we encourage you to give adequate consideration to the impact on American industry, and particularly small businesses and their employees. Again, with a strategic vision for implementation and appropriate transparency, the contractor workforce and businesses can be more prepared for a transitioning workforce model.

Many of these concerns are also noted in the House Armed Services Committee's report on H.R. 2647, the National Defense Authorization Act for Fiscal Year 2010, and we encourage the military services and DoD agencies to carefully consider these recommendations when developing implementation plans. We are eager to receive the outline of your in-sourcing plan and how you will implement these policy objectives.

Again, we thank you for your leadership and commitment to our country, and we support your efforts to seek a proper balance to in-sourcing within the Department of Defense. We look forward to your response and to a continued dialogue on this issue. We appreciate your consideration of our views.

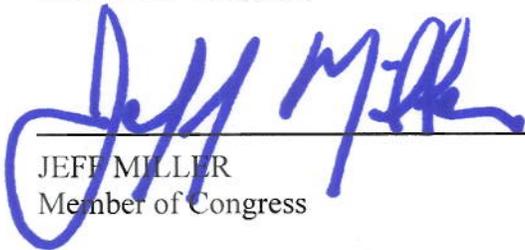
Sincerely,



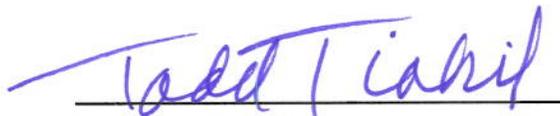
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JIM MORAN
Member of Congress



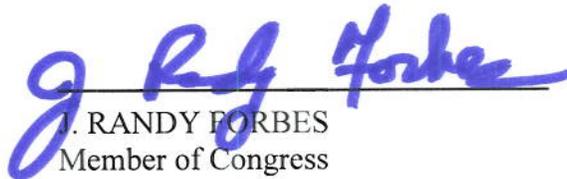
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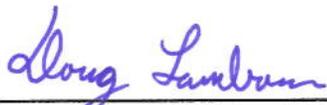
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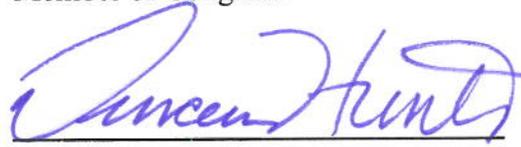
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