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Business Owners to Fight Fed In-sourcing

David Hendricks June 18, 2010

The Obama administration inexplicably is trying on the one hand to spur small businesses to create jobs, while on the other it's pushing a policy to reduce federal contracting. The mixed message leaves the former top federal procurement officer worried about what small-business owners can do to survive.

That's why Washington, D.C., lawyer Robert Burton, who once headed the Office of Federal Procurement Policy, is helping form the Small Business Coalition for Fair Contracting. Burton wants small businesses to have a voice as the administration muddles along with its contradictory goals.

During a recent visit to San Antonio, Burton could hardly believe it as he read to me from the U.S. Department of Defense's current fiscal budget. The budget states that 11,844 contracting positions at private contractors should be converted to government positions.

In some cases around the country and locally, when private companies learn their government contracts are being eliminated, employees are given 48 hours to decide whether to continue their jobs as federal government workers, Burton said.

It's not just the Defense Department; it's an overall policy to curtail government contracting that's being enacted. But at the same time, the Obama administration has established a task force — including leaders from the U.S. Small Business Administration and the U.S. Commerce Department — to look into how small businesses can have more opportunities to create jobs.

Go figure.

It is this task force that Burton's coalition wants to target. Burton wants the coalition to seek policy amendments so that the federal government will conduct accurate cost analyses before "in-sourcing" the work. If it costs less to continue with private contractors, the jobs should stay in the private sector.

The federal government also could exclude small businesses from the in-sourcing policy.

The in-sourcing is supposed to be limited to "critical functions." But contractors that do maintenance, janitorial services, food services, landscaping and information technology functions all are seeing their contracts expire and the jobs going to new government workers.

"I don't think these are critical to agencies' missions," Burton said.

The in-sourcing policy "is something federal unions have been pushing for," Burton said. More government workers make union leaders happy. The union leaders have close relationships with the Democratic-controlled Congress and the administration.

Another federal contracting trend, bundling contracts, is hurting small businesses. Federal contractors are trying to save costs and reduce workloads by seeking bids covering all parts of a project instead of breaking down the project into smaller parts so more small companies can bid.

Having fewer small projects reduces bidding competition, and “more competition is good,” Burton said. “In the long-run, the government benefits.”

One San Antonio federal contractor, THI Inc., headed by President and CEO Ted Terrazas, has started its own consortium of small businesses for training and guidance on issues small businesses face, like finding financing. Burton spoke last month to those companies at THI's offices.

No one can count on the federal government quickly figuring out its contradictory goals. Small businesses cannot do much by themselves. Many cannot afford to sue the government over contracts.

Burton's coalition will muster the numbers necessary to give small businesses a voice.