

Defense Department In-sourcing Should Come to an End

By Allen Greenberg October 8th, 2010

Cost-cutting and greater efficiency in government.

What's not to like about that, especially in these times?

Nothing, of course, unless the people in charge flub it.

Which is pretty much what happened over at the Defense Department after the Obama administration announced it was going to start in-sourcing some of the work typically awarded to private contractors. In other words, jobs that could be done by government workers would no longer be done in the private sector.

To be sure, Defense Secretary Robert Gates deserves plenty of credit for trying to rein in costs. In his first year, he ended the F-22 fighter program, cut some of the more controversial missile defense programs, and killed what would have been a wasteful presidential helicopter project.

Last month, Gates detailed plans to save another \$100 billion in defense spending over the next five years.

The new guidelines include more "fixed-price incentive fee" contracts, in which a supplier shares the expense of cost overruns.

"Consumers are accustomed to getting more for their money — a more powerful computer, wider functionality in mobile phones — every year," Gates said. "When it comes to the defense sector, however, the taxpayers had to spend significantly more in order to get more. We need to reverse this trend."

That's laudable, though how much money taxpayers can expect to save out of this effort remains to be seen.

On the other hand, what is already abundantly clear is that another of the Obama administration's big cost-cutting initiatives has backfired.

The move to shift work done by private contractors into government hands actually never sounded as if it would work. Instead, it was counter-intuitive and an over-reaction, practically a political stunt rather than sound policy.

According to some industry estimates, more than 4,000 jobs in Colorado Springs were in the process of being in-sourced, and hundreds of jobs were going to be lost. Even if that's an exaggerated estimate, the news was unsettling at a time when high unemployment continues to plague the nation.

No wonder panic ensued. But then word came from Gates that it wasn't clear in-sourcing was saving taxpayers any money. At the same time, the administration said in-sourcing would be suspended.

The news was met with much relief, with many assuming in-sourcing was over.

Unfortunately, that was a misreading of events. As recently reported by the Business Journal's defense contracting reporter, Amy Gillentine, while in-sourcing is ending in many parts of government, it hasn't been tabled in the DoD world at all.

Instead, in-sourcing is now being viewed as "a statutorily required workforce-shaping process" within the Defense Department, said Thomas Hessel, a senior Pentagon official.

Just to be clear, "no in-sourcing programs were canceled," he said in an interview with governmentexecutive.com.

Here's how Gates himself put it:

"The problem with contractors is — and what we've learned over the past year — is you really don't get at contractors by cutting people," he said. "The only way, we've decided, that you get at the contractor base, is to cut the dollars."

So now, understandably, panic has been replaced by utter confusion.

Laura Peterson of Taxpayers for Common Sense has a better idea about all of this.

"If Gates would try applying the affordability test to military personnel, operations and our national security strategy, we might find some real savings," she writes in her blog.

"As long as it is U.S. policy to maintain over 700 overseas military bases and a Navy, Army and Air Force designed to go anywhere and fight any battle, military spending will continue to go up, and there will be plenty of money for the weapons industry.

"In a tight budgetary environment, this spending will come at the expense of other priorities — from deficit reduction to infrastructure investment to aid to the unemployed. Regardless of how one thinks the savings should be spent — or not spent, so as to reduce the deficit — the Pentagon needs to go on a serious diet.

"If Robert Gates takes on that task, he can truly be seen as a reformer."

Doing some of this will undoubtedly cost us some jobs. But those that remain should be better immunized against flimsy policy-making.