

Efforts to Bring Jobs In-house May be Losing Momentum

By Charles S. Clark

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Opponents of the Obama administration's efforts to bring more contract work in-house were heartened by last week's House passage of the fiscal 2012 Defense authorization bill, which contains provisions to ease a two-year-old moratorium on Pentagon outsourcing.

As passed by the Republican-controlled House on May 26, the authorization measure (H.R. 1540) would modify a temporary suspension of procedures for public-private competition for federal work that President Obama ordered in a March 2009 memorandum.

The bill would end the moratorium after the Defense Department submits a comprehensive review of public-private competitions, which the Government Accountability Office would then look over. It would shift responsibility for such competitions from the Pentagon's acquisitions divisions to its personnel and readiness staff. And it would create an assistant secretary of Defense for contingency contracting to be the principal adviser of the Defense secretary and the undersecretary of Defense for acquisition, technology and logistics.

The measure also included a nonbinding "sense of Congress" resolution that "the federal government should not be in the business of competing with its citizens and private enterprise." It was introduced by Rep. Nan Hayworth, R-N.Y., who, citing problems with insourcing in her district with veterans struggling to win government contracts, said, "The Department of Defense has added positions 'in-house' that are commercial in nature, such as food services, mapping and audio-visual services. The result is often higher costs, lower quality and less support for local businesses."

MAPPS, the national association of private sector geospatial firms, praised the adoption of Hayworth's amendment, as did the Professional Services Council, a contractor trade group. "Many members of Congress concur that the [Defense] department's arbitrary actions on insourcing reflect a lack of documentation and analysis," PSC Executive Vice President Alan Chvotkin told *Government Executive*. "The Pentagon has changed its position, recognizing the cost implications in these times of restrained budgets, which is why the House re-leveled the playing field."

The same day as the vote, the Lexington Institute, a conservative think tank, held a high-level forum on Capitol Hill, during which its vice president, Daniel Goure, warned that insourcing goes against Defense's drive for greater competition.

The Obama administration's "temptation to seek any means available to pull work back inside the fence is understandable but shortsighted," he wrote in a later blog post. "Insourcing workload could spell the eventual ruin of the public sector installations" such as the Pentagon's three air logistics centers.

John Conger, assistant Defense deputy undersecretary for installations and environment, also said during the forum that he would welcome an end to the moratorium, according to Federal News Radio. But he cautioned that contractors don't always turn out to be the most cost-effective option: "Through the miracle of

competition, we saved \$11.5 billion. We did the math. That's a lot of money, especially in an environment where we're squeezing for every dollar. Now, here's the thing that not everybody realizes: More than half of these competitions were won by the public sector, and we still saved money. Why do we save money when the public sector wins? We save money because the public sector looks at its organization and squeezes it down in order to win the competition, just like a private company's going to do to come in with a good bid."

Obama's original insourcing plan was designed to curb the use of contractors championed by the George W. Bush administration using the long-standing Office of Management and Budget Circular A-76 to assure that government has "the capacity to carry out robust and thorough management and oversight of its contracts in order to achieve programmatic goals, avoid significant overcharges and curb wasteful spending."

But savings from bringing jobs back in-house have not been plentiful, leading to second thoughts. In February, the Army announced it was suspending all insourcing plans.

In March, Defense Secretary Robert Gates issued a memo that "all insourcing will be on a case-by-case basis, after careful consideration of critical need, whether a function is inherently governmental, and benefit demonstrated by a cost-benefit analysis. Additional insourcing must be supportable within current budget levels."

Prospects for ending the moratorium in the Democratic-controlled Senate are less clear. Sen. Barbara Mikulski, D-Md., has introduced the Correction of Long-standing Errors in Agencies Unsustainable Procurements (CLEAN UP) Act.

It would reinforce insourcing by "reforming the discredited OMB Circular A-76 privatization process by ensuring all costs of conducting studies are considered," she said. And it would impose a temporary suspension on the OMB Circular A-76 privatization process until the OMB director and the inspectors general of the five largest agencies determine that all of the reforms required by her bill have been implemented.

"Year after year, I've fought to improve the contracting out process and make the competition process fair before federal jobs are contracted out," Mikulski said. "Our federal employees are on the front lines every day, working hard for America. They deserve our respect and appreciation. I will not stop fighting to level the playing field for federal employees and to protect them against unfair contracting out policies."

Scott Amey, Project on Government Oversight's general counsel, said: "The administration and DoD are retreating from insourcing activities, and the House's version of the Defense authorization bill definitely has a pro-outsourcing feel. POGO supports the revitalization of public-private competitions as they generally lead to cost savings and efficiencies, but the government needs the flexibility to hire both public servants and contractors when needs arise.

"Removing flexibilities will impede the government's efforts to realize benefits," Amey said. "We could see a lively conference if the Senate considers all of the issues involved."