

## ***Government Shift to 'Insourcing' Impacting Native-owned Businesses***

**Jill Burke | Jun 23, 2010**

In an era in which Congress is demanding greater scrutiny and government business developers have responded by vowing to eliminate waste, fraud and abuse, small, disadvantaged businesses are facing new rules, most of which deal with transparency: Is taxpayer money being spent wisely and fairly? Who's getting the money and what products or services is it paying for? Is the government getting a good value?

New this year, Congress wants procurement officers who sign off on deals exceeding \$20 million to justify the awards, documenting in writing who the money went to and why a particular company was chosen. The U.S. Small Business Administration is also proposing adjustments to the regulations that govern how small businesses form strategic partnerships, how much work the disadvantaged business itself must perform, and oversight requirements. Among the proposed changes is requiring an annual report in which Native-owned companies, which enjoy unique privileges with the small business world, would have to demonstrate how the money they make improves life for people in their home communities. That social agenda is the intent of the Congressional mandate that established the statutory structure under which Alaska Native-owned business preferences were created, but it has in the past been difficult to define and substantiate consistently among all regions and tribes.

Now, Native-owned companies are also coping with the effect of government "insourcing," a process by which government agencies stop using private companies to perform "recurring commercial activities" and instead bring the work back in-house to be performed by government employees. Such jobs might include phone banks, mail sorting and data entry, to name a few. In the past, Native-owned and other small businesses were able to land some of those contracts, but they say they are already feeling the pain of the Obama administration's recent insourcing directive.

As Linda Oliver, the DoD's acting director for its Office of Small Business Programs, spoke about the changes, audience members at the National 8(a) conference expressed frustration.

"We are getting crucified out there," said a man from Colorado-based Aleut Management Services. His company had, he explained, just lost \$10 million in contract opportunities and jobs to services that had recently been determined to be "inherently government work."

Another company complained that the government lured one of its engineers away, and lawyers presenting later in the day told the crowd instances of the government "cherry picking" new employees from private companies did not appear to be isolated.

"This is serious," the man from Aleut pleaded. "You are putting small business out of business."

"There is no intention to target small businesses or Alaska Native Corporations," explained Joseph Jordan, Assoc. Administrator for the SBA's office of Government Contracting & Business Development, as he went over the concerns emerging from small businesses regarding the trend toward insourcing. "We need to make sure that small businesses aren't the low hanging fruit that gets plucked in the effort to do the right thing."

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