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# Insourcing Could Ruin the Depots

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The current fight over the Obama administration's efforts to shift private sector work into the federal government has focused to a large extent on people, or as the government calls them Full Time Equivalent (FTEs). After an enthusiastic beginning, the process has come to a halt, at least with respect to the movement of FTEs from the private to the public sector. Secretary of Defense Robert Gates, once an enthusiastic advocate of insourcing, has criticized the effort as not producing the expected budget savings. The insourcing of FTEs was also halted in response to the effort by the Department of Defense to find hundreds of billions of dollars of savings in its projected budgets.

Opponents of insourcing should not think that they have won the fight. At best this is the end of the beginning, not the beginning of the end. Far more serious is the associated effort to insource workload. During most of the past decade, the question of where work was done, in the public or the private sector, was not much of an issue. There was enough work to go around. But now as budgets are tightening and the various wars winding down, the question of whom does the work becomes more important. Facilities that grew their workforce during the salad days of the last decade now have the problem of finding work for them to do. The public sector, particularly the three Air Logistics Centers, are on an aggressive campaign to take work that was performed by private contractors. This goes way beyond the public-private partnerships and performance-based agreements that have proven so successful. What the public sector facilities are trying to do is supplant their erstwhile private sector partners.

The temptation to seek any means available to pull work back "inside the fence" is understandable but shortsighted. Insourcing workload could spell the eventual ruin of the public sector installations. Insourcing is antithetical to the DoD's drive for greater competition. Competition for production of new platforms and systems or in maintenance, repair and overhaul leads to cost reductions and a lower price to the government. When work is insourced to a depot or ALC it is no longer open to competition. The incentive to reduce costs and improve performance is lost. Moreover, insourcing workload leads to a hostile relationship between the public and private sectors. The depots and ALCs will no longer be able to call on industry for tactics and techniques for lowering costs and improving performance. One reason that depots such as Anniston, Letterkenny, Tobyhanna

and Corpus Christi improved their performance is because of the assistance they received from private companies. Another reason is their anxiety over being closed as a result of the 2005 BRAC process. Absent that cooperation, and the spur provided by competition, what is to prevent the public sector from reverting to its old, bad habits? The private sector will become providers of parts, something they can do but at a high price. Availability rates will decline, work-in-progress levels will increase, and costs will rise.

In their zeal to gain workload, a number of government facilities are seeking to perform work for which they are not qualified, lack the experience, engineering talent, intellectual property and even technology. As a result national security is at risk. When a facility insources work it cannot properly execute, the previous private sector provider of that work shifts its activities, goes into other areas or simply shuts down its operation. If the public sector facility is unable to perform the work there is then no one left to do it properly. Because the work involved can include such activities as maintaining the ICBM missile fleet or the fleet of heavy lift transport aircraft the obvious result is a decline in U.S. national security.

Insourcing could produce a situation in which the public sector constitutes an increasing fraction of the overall resource pie even as its performance deadlines and its costs escalate. Pretty soon the public sector could become the obvious target for budget cutters. Since it will have gotten inefficient and potentially even technologically obsolescent due to the lack of competition, the public sector will be ripe for major budget cuts. In effect insourcing is a temporary route to expansion for the depots and ALCs but, over the longer term, it could lead to decline and eventual consolidation and closure due to additional BRAC proceedings. Insourcing workload is a temporary feel-good approach that could destroy the depots.

The answer is to expand the relationships between the public and private sectors through performance-based agreements, subcontracts and even joint ventures. This approach would reduce the significance of the 50-50 rule, perhaps even resulting in its demise. There is a need also to revisit the definition of core workload so it does not become an indirect means to insourcing.

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