



Insourcing Failed, DoD's Gates Says. Now What?

Obama's initiative has not brought savings, DOD head says

By Matthew Weigelt

Aug 10, 2010

Defense Secretary Robert Gates has conceded the Obama administration's insourcing push has failed to save money.

"We weren't seeing the savings we had hoped from insourcing," as the Defense Department brought work from the private sector in-house, he said Aug. 9.

Gates has unveiled a sweeping plan to save money in a variety of other ways, including cutting entire organizations and consolidating information technology.

"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," Gates said at a press conference about his departmentwide changes. He said contractors get the money from a contract and then hire as many as they think is necessary to do the work. "So the only way, we've decided, that you get at the contractor base is to cut the dollars."

To make DOD more efficient and less expensive, Gates directed a reduction of funding for support contractors by 10 percent a year for each of the next three years. The goal is to reduce the number of contractors that are carrying out functions that are inherently governmental, or work that only a federal employee should do.

"I concluded that our headquarters and support bureaucracies — military and civilian alike — have swelled to cumbersome and top heavy proportions, grown over-reliant on contractors and grown accustomed to operating with little consideration to cost," Gates said.

Gates' plan is to also add no more full-time positions in the Office of the Secretary of Defense and other defense agencies after fiscal 2010 to replace contractors, except for critical needs.

The changes will hit many people in DOD as officials look to reorganize and save money.

Robert Hale, undersecretary of defense comptroller, on Aug. 9 shied away from giving a specific number of people who will lose their jobs as a result of the changes.

"We've done some internal analysis to help the secretary make the decisions. Now we need to go through the detailed implementation. Only after we've done that are we going to have a firm idea of the personnel changes. So it's premature to give you a number," he said.

After being pressed for a rough estimate, Hale said the Joint Forces Command has 1,600 civilian employees, 1,200 military personnel and 3,000 contractors. The Business Transformation Agency has more than 350 civilian employees. The secretary has recommended closing both organizations.

The Obama administration has pushed agencies to insource work — jobs that are inherently governmental functions or closely associated with those jobs. The president's March 4, 2009, procurement reform memo lays out the insourcing agenda.

Gates' changes come as he expects to receive less money in fiscal 2012 than what it costs to run DOD.

"To preclude reductions in military capabilities that America needs today and those required for the future, that spending difference will need to be made up elsewhere in the department," Gates said.

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