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# Insourcing Hurts Small Businesses Too

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Most of the discussion of the problems associated with the Pentagon's campaign to take work away from the private sector and give it to government employees and facilities, what is termed insourcing, has focused on the impacts on large corporations. Boeing, Lockheed Martin and Northrop Grumman have seen their superb performance on major maintenance and sustainment contracts in support of major U.S. platforms and weapons systems essentially dismissed as the Department of Defense (DoD) sought to turn much of their work over to public sector depots and logistics centers. In some cases, companies that had saved the government hundreds of millions of dollars while providing a high level of platform availability and had won awards from the Secretary of Defense for their achievements were almost summarily shown the door.

What made these examples all the more egregious is that insourcing was pursued based on the assertion that the government could do the job more cheaply than the private sector. In other words, the government, which is not motivated by profit and which, according to a recent study by the Center for Strategic and International Studies cannot account for its own costs properly, claimed that it could do complex maintenance work more cheaply than the private companies that built the weapons systems and platforms they are supporting.

It's bad enough that the government is trying to take work away from large commercial companies under false pretences. What is worse is that the same abuses are being perpetrated on small contractors. The big companies have lawyers, lobbyists, influence with politicians and even access to the media. Small contractors and vendors have little or no recourse when the insourcing boom is lowered on them.

Since I began writing about abuses of the insourcing strategy, I have been contacted by lots of these small companies, many essential "Mom and Pop" operations with stories about how their work was insourced and their livelihoods put at risk. Their stories are depressingly similar. The small companies were doing good work for the government, charging a fair rate and often even doing more than their contracts required. Then, some part of the Pentagon decides that they are going to take the work away and do it in house. Rarely were these companies doing work so specialized that it could be deemed "inherently governmental," and thus appropriate only for government workers to perform. Almost never was an open competition conducted between the public and private concerns. In most cases, a local

government bureaucrat or mid-level military officer simply decided to use the mantra of insourcing to take work away from private companies.

Let me give you just one example. A small company had been providing food services and catering at a military facility in the mid Atlantic region since 9/11. In fact, the owner/operators of this small business had shut down their commercial establishment in order to devote themselves full time to feeding military personnel. After some ten years of successful service they were suddenly told that this branch of the military would no longer use their services because it could be done more cheaply by uniform personnel. Never mind that the government official making this decision had never done a cost comparison of the public and private offerings or held a competition and that the government continued to buy foodstuffs and mess hall supplies from private contractors that charged more than the small business that had been ousted. Costs went up, not down, and the quality of the food services provided declined. This was simply a case of a government bureaucracy using the excuse of insourcing to take work away from a small, private business. What is worse, it is the military personnel who suffer most.

Senior defense officials like to formulate grand policies and articulate sweeping directives intended to reform and improve the workings of DoD. Unfortunately, no matter how good their intentions, these officials rarely stop to consider the unintended consequences of their actions. So when a local bureaucrat decides that the drive to insource should be taken literally and without regard for common sense, small businesses that can't fight back get hurt and the interests of the warfighters are not well served. Insourcing is a bad policy and DoD would be best served by putting an end to it.