

Insourcing Still Threatens Defense Firms in Colorado Springs

By Amy Gillentine

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COLORADO SPRINGS, CO -- The federal government spent the past two years shifting defense contracting jobs from the private to the public sector in an effort to save money, a practice it now acknowledges doesn't work.

It's still happening, however, and companies in the Springs are feeling the pain.

Known as "insourcing," the policy ended eight years of a Bush administration policy to outsource as many government functions as possible. But Defense Secretary Robert Gates announced last month that insourcing wasn't saving the money the Obama administration thought it might.

Defense contractors had reason to celebrate — or so they thought. The government has spent more than \$45 billion in contracts awarded to 4,300 Colorado-based defense contractors over the past decade, and no one wanted to lose any of that business.

Yet despite Gates' pronouncement, nothing's changed.

Insourcing is now "a statutorily required workforce-shaping process," said Thomas Hessel, a senior analyst in the Office of the Undersecretary of Defense for Personnel and Readiness.

"No insourcing programs were canceled," he said in an interview with governmentexecutive.com.

In addition, the armed services are exempt from a 2011 freeze that would halt insourcing plans. Insourcing measures are allowed to continue, as are conversions of acquisition support jobs.

In unveiling their insourcing strategy in 2009, Defense officials announced they would cut 33,000 service support contractors by 2015. The Pentagon had planned to replace those contractors over five years with 39,000 new full-time government employees, many coming from insourcing.

Some defense contractors say the Springs could ultimately see job losses as high as 10,000, if the Department of Defense goes through with plans to cut 10 percent of contracts every year for the next three years.

So far, security at Fort Carson's gates has been moved from the private sector into the hands of the military. Cheyenne Mountain Air Force Station will replace 65 civilian workers with 40 government workers in its civil engineering department.

Shape Technologies, a local defense contractor that performs high-end testing of space systems, as well as engineering work for the Missile Defense Association, could lose three employees out of its 22. CEO Buddy Gilmore said he managed to save the jobs of two employees who are working at the U.S. military's Strategic Command in Omaha, Neb.

Delta Solutions, another local defense contractor that specializes in managing and creating homeland security plans and providing advisory services to the government, saw its presence at U.S. Northern Command cut from 44 to four people, Gilmore said.

Gilmore said he asked the federal government for proof in-sourcing would save money, but never received it.

"If they had shown me those numbers, and it saved money, I'd be waving flags and dancing," Gilmore said. "But a month later, all they gave me were the guidelines used to make the decision. I never got an apples-to-apples comparison."

In-sourcing, Gates said last month, hasn't met government savings goals.

"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. "The only way, we've decided, that you get at the contractor base, is to cut the dollars."

That news didn't come as a surprise to Stan Soloway, president and CEO of the Professional Services Council, an industry trade group that has been following in-sourcing from its inception. About 16,000 jobs have been affected nationwide, with plans to shift an additional 12,000 in 2011.

Smaller companies are most nervous about in-sourcing, but even defense giants are anxious, he said.

"It's not as easy to replace work with new jobs as it used to be," Soloway said. "No one's taking this lightly. We understand that there are some jobs the (defense) department can do better in-house, and some jobs it will save money doing in-house."

"Our objection is to the arbitrary — and largely incorrect — assumption that replacing contractors with civil servants will save money. They haven't proven that."

Tom Karpel, director of strategic planning at ITT Services, headquartered in Colorado Springs, said he expected the government to continue pressing for savings, even if it means more job losses in private industry.

"The issue isn't off the table," he said. "They're going to attack from a different angle — targeting the funding for the positions, instead of the positions themselves. That's what they see as a root cause of overspending."

The Springs Chamber of Commerce is working with the state's congressional delegation to try to stem the job losses.

"We've talked with Rep. (Doug) Lamborn, Sens. (Michael) Bennet and (Mark) Udall," said Brian Binn. "And they've written letters to the DoD, talking about how these cuts will affect Colorado Springs. The problem is, Gates left it up to the individual commands, and we're working with them as well."

Gilmore has a different plan.

"Talking to senators and asking them to stop it never works," he said. "Instead, a group of city officials and private companies are coming up with a briefing to give to Gates' people."

The briefing will show the Pentagon not only how Colorado Springs benefits from military jobs, but how the city can help cut Defense Department budgets.

"We're working on ways to show them that we're partners in this," he said. "Maybe we can offer utilities to the bases more cheaply; maybe we'll take on some of the costs."

No date for the briefing has been set, he said.