

Insourcing vs. Outsourcing

By Scott Amey

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In his commentary about government decisions that are restricting competition and hindering the Defense Department's "nuclear deterrent" objective ["Defense Insourcing Backfire," Dec. 12], Jacques Gansler made some valid points related to the need for competition. However, he failed to paint the full picture of the causes and impact of the government's inability to effectively oversee the \$540 billion spent on goods and services each year. Furthermore, despite his criticisms, he did not propose improvements that will allow the Pentagon and other government agencies to protect government and taxpayer interests.

Gansler cites the elimination of lead systems integrators, actions to insource work, and the ban on public-private competitions under Circular A-76 as reasons why service contracts cannot be awarded and, therefore, that government missions will be jeopardized. Incredibly, he ignored the dramatic increase in contract spending (over 150 percent since 2000), a depleted federal workforce that fails to exercise adequate oversight, and numerous programs that are both over budget and behind schedule as a result of the government's over-reliance on contractors. Consideration must also be given to budget cuts and federal employee ceilings passed by Congress that have reduced the size of the government workforce.

Undoubtedly, the reports and examples cited by Gansler highlight problems with the current system, but he missed the forest for the trees. Additional reports by the Commission on Wartime Contracting and the undersecretary of defense for personnel and readiness highlight outsourcing examples that often lead to wasted spending and contractors performing work that, by law, must be performed by federal employees. Evidence exists that supports both insourcing and outsourcing, but cost comparisons between contractor and government employees, which Gansler declares is apples and oranges when conducted by the government, are critical for the government to acknowledge and reform.

Until the government creates a system that allows for a genuine comparison of full life-cycle costs and the consideration of critical nonfinancial factors, any effort to improve procurement decisions is worthless. In reality, the debate about "unbiased competition for the most cost-effective provider" has been driven by political ideology and a universal failure to speak the truth about federal spending. Until the Project on Government Oversight's (POGO) report, "Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors," the outsourcing-always-saves-money myth had not been thoroughly scrutinized. Taxpayers have been conned into thinking that federal spending is based on sound data and the decisions of informed policymakers.

These mythological debates about insourcing and outsourcing, contract spending, the size of the federal government, and public- and private-sector salaries will continue long into the future if policymakers don't create and require the use of cost models that provide empirical evidence for justifying policies and the spending of taxpayer dollars. POGO relied on currently available data and found that, on

average, a federal contractor costs taxpayers nearly twice as much as a federal employee for the same services.

It is time to move this debate, which involves hundreds of billions of dollars, out of the shadows and into the sunlight.

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