



Lawsuit Successfully Defends Contract Against Inroads of In-Sourcing

By Matthew Potter | Mar 13, 2010

About four weeks ago we wrote how Rohmann Services, a small business doing graphics work for the U.S. Air Force at Edwards Air Force Base in California, sued to prevent the government from “in-sourcing” their contract.

In-sourcing is when the government decides to take work that was contracted and give it to civil servants to carry out; it is the opposite of privatization, and a significant Pentagon trend in the Obama Administration. There has been a great deal of concern in the contracting world that the government will in-source too much work.

Now word has come out that the Air Force has decided not stick with Rohmann. The basis of the lawsuit was that the work was not “inherently Governmental,” which is main criteria to decide what work should and should not be considered for in-sourcing. This normally means work that may support or lead to a decision by the Government as to awarding a contract, or choosing one design over another.

The Air Force did not admit any liability or say that the lawsuit influenced their decision. They just agreed that the work was not an “appropriate candidate for in-sourcing, and those services would for the time being continue to be performed by contract.” There was no word if the lawsuit would go forward.

The goals of in-sourcing are to save money and to ensure that work that is appropriate to government stays in public hands. That is easier said than done. It is proving difficult to prove, for example, when work can be done cheaper by the public sector. Few studies that quantify the cost of a contractor and a civil servant in a meaningful, comparable way.

In this case it looks like the Air Force decided that in-sourcing the work may not have been worth the overall price. The other question this raises is whether companies losing work to in-sourcing will feel emboldened by the decision and go to court, too. This might add more time, better justification and documentation to the process. It might also spur further work in calculating the cost savings to the Government of the practice.

© 2010 CBS Interactive Inc. All rights reserved.