



## Pentagon Opposes 'Insourcing' Ban

Proposed House Legislation Would Limit Government Efficiency and Effectiveness

**By Pratap Chatterjee | February 23, 2011**

House Republicans can't say enough about themselves when it comes to their commitment to cut government spending. So why does a member of the powerful House Rules Committee want to scrap a recent federal government rule that the Pentagon says makes federal agencies work more efficiently and effectively?

Best ask Rep. Pete Sessions (R-TX). During consideration of the Full-Year Continuing Appropriations Act 2011 that passed the House of Representatives last week he filed an amendment that would have banned the use of any Pentagon funds "to convert from private sector to public sector performance any functions or positions that are not inherently governmental in nature."

In plain English this means the legislation would ban so-called "insourcing" of contractor jobs to the federal government. The Pentagon opposed the proposed legislation. A five-paragraph statement tersely states that it "does not support" the Sessions amendment: "[I]n a constrained financial environment, the Department [of Defense]'s ability to convert contracted services to government performance to achieve cost efficiencies has successfully realigned needed resources to high priority areas."

So what's going on here? Well, outside contractors are estimated to make up more than half of the federal workforce today. Outside contractors can often be quite a bit more expensive than federal workers. The contractors can also sometimes cause more trouble than they are worth such as the infamous Nissour Square shooting by a group of Blackwater private security guards. Colonel T.X. Hammes summed up some of the issues in a paper for the National Defense University: "We cannot effectively control the quality of the contractors or control their actions, but the population holds us responsible for everything the contractors do, or fail to do."

That's why former Office of Management and Budget Director Peter Orszag in 2009 ordered federal agencies to restore the right balance between federal and contract employees in order to save money as

well as make sure that contractors were not doing inherently governmental work. For more than a year, the Pentagon followed Orszag's order.

Alas, opposition to insourcing is championed by a newly established industry group called the Business Coalition for Fair Competition, or BCFC, which is run by a public relations company named John M. Palatiello & Associates. A statement issued by the group labels the practice of insourcing "government intrusion" and claims that insourcing is "stealing private sector jobs and creating more expensive government jobs."

The lobby group asked members of Congress to vote "yes" on the Sessions amendment and help implement the "Yellow Pages" test—if a product or service can be found from a private business in the Yellow Pages then the government should not be doing it.

The Pentagon argued in their response to the Sessions amendment issued last week that government personnel are not just needed for "inherently governmental work" but also to "mitigate risk, ensure continuity of operations, build internal capability, meet readiness requirements, ensure critical career progression, and maintain oversight of operations." (This statement clarified actions earlier this month by Army Secretary John McHugh who suspended a year-long drive to replace contractors with federal workers on February 1, declaring that insourcing needed to be done in a "well-reasoned, analytically based and systemic manner.")

Scott Amey, general counsel of the Project on Government Oversight, a Washington watchdog group, noted on his blog that the Sessions amendment "will only hamper the systematic work that is required to better determine who—contractors or government employees—should be performing services at DoD."

The Center for American Progress couldn't agree more. We opposed the use of blunt instruments to freeze the hiring of nonsecurity federal workers as we noted here. The Sessions amendment to ban insourcing could have the same effect as a hiring freeze for civilians in the military. In turn this will force the government to ignore rigorous evaluations of what works best for the military and could simply result in more spending on contractors regardless of whether or not they do a good job.

Congress wisely decided not to vote on the Sessions amendment in the final vote on the continuing resolution last week. John Byrd, the government affairs manager for BCFC, however, told CAP that they plan to continue to lobby to ban insourcing in future legislation.