

Small Contractors Join Forces to Form Coalition to Fight Insourcing Initiative

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Washington's small businesses are circling the wagons to protect themselves from a federal "insourcing" initiative they say may be doing more harm than good.

With the help of former federal procurement official Robert Burton, now a partner at law firm Venable LLP in D.C., local companies have formed the Small Business Coalition for Fair Contracting, aimed at giving smaller companies an opportunity to respond to an Obama administration effort to move jobs away from contractors and onto government rolls.

"Although well-intended, the federal government's current insourcing initiative threatens to take away work from hundreds of small entrepreneurs," said Burton, former deputy administrator for the Office of Federal Procurement Policy and Defense Department acquisition attorney.

After horror stories about inflated contracts for work that critics say federal employees could have been doing, particularly in Iraq and Afghanistan, "contractor" became a four-letter word inside the Beltway. President Barack Obama has pledged to reduce the government's reliance on contractors for services "critical to an agency's core mission."

Last summer, the administration ordered agencies to cut their overall contracting budgets by 7 percent and set up pilot insourcing programs. In late April, agencies submitted reports to the Office of Management and Budget on those program results. OMB is reviewing the reports.

The insourcing push has been most aggressive at the Defense Department, which plans to reduce the number of support service contractors from the current 39 percent of the work force to the pre-2001 level of 26 percent.

The Pentagon plans to replace those contractors during the next five years with 39,000 new full-time government employees, 20,000 of whom would be acquisition professionals, much to the consternation of the Professional Services Council, which represents mostly those involved in defense acquisition, and the International Association of Machinists and Aerospace Workers.

Despite the concerns of big associations and unions, before the formation of the fair contracting coalition there was no organization geared to small businesses, Burton said, even though they are the hardest hit by insourcing. Contracts are being canceled and private sector employees are being recruited by the government, sometimes being told they could take a federal job before their company's contract disappears. One small business lost 20 percent of its work force to the federal government, Burton said.

"Contractor" is far from a dirty word to Burton, who spent more than 20 years as a senior acquisition attorney with the Defense Department before moving to the OFPP in 2001, where as the deputy administrator he was the nation's top career federal procurement official. He was acting administrator for two years during his seven-year tenure.

When the OFPP released a policy letter providing guidance to agencies on the types of work that should be reserved for government employees, Burton knew that would be a problem for contractors.

The idea for a coalition came after Venable was contacted by several clients unsure of what they could do to protect their contracts and employees, Burton said.

"Maintenance, janitorial, landscaping... these are the kind of positions I would not say are critical to the mission of a federal agency," Burton said, but they also are not the kind of businesses that can afford to start an association or snag big-time hired-gun lobbyists on their own.

"I don't think anyone is intending to hurt small business with this initiative," he said. "But unfortunately, it is having a negative impact on small businesses, even though they are the driver for our economy. Our objective with the coalition is to make sure small businesses have a voice."

About 100 companies answered the initial organizational call, Burton said.

"This could be big," he said. "Now we just have to figure out how to fund this thing."