



## STRATCOM Moves Forward With Insourcing Despite Small Business Complaints

Charles Simmins - March 20, 2012

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A recent article in the Omaha World-Herald described the plight of Department of Defense civilian contractors working with the U.S. Strategic Command (USSTRATCOM) at Offutt Air Force Base. STRATCOM has been engaging in "contractor conversion" or insourcing for the last three years.

Insourcing is the practice of hiring employees of contractors as DoD civilian employees. In the five years between 2006 and 2011, the number of contractors at Offutt dropped from 964 to 587 while the number of Federal employees climbed from 1,938 to 2,765. The World-Herald spoke with a number of local contractors who described the wholesale DoD hiring of their employees after their contracts were canceled or not renewed.

The White House is an open and vocal proponent of insourcing in the private sector. The situation in DoD is less clear, as the original act to promote insourcing has been amended several times over the years. 10 USC § 2463 - Guidelines and procedures for use of civilian employees to perform Department of Defense functions has seen a number of changes since it was first adopted, designed to prevent creation of quotas for insourced positions and to require analysis before insourcing and reporting to Congress.

DoD guidance suggests that it continues to pursue insourcing. Contractors quoted in the World-Herald piece suggest that current budget restraints have halted insourcing throughout DoD, except at Offutt. The federal government's policy on insourcing in general appears muddled as does that of the DoD.

Designing a business model based on sales to one customer is a significant business risk. The gamble can pay off with solid profits but the risk is immense. DoD contractors see their business affected by both the whims of congress and defense budgets, and insourcing is one example of this. The private sector has long questioned Pentagon arguments that insourcing saves money, and attempts several years ago by then Secretary of Defense Robert Gates to insource more DoD positions were largely halted due to congressional pushback questioning the cost savings. In congressional testimony last summer contractors echoed the complaints of Omaha area small businesses that the government's insourcing efforts were actually cutting jobs and crippling their businesses. Where the pendulum will swing next on insourcing initiatives remains to be seen, regardless, it would appear that STRATCOM seems to have made its decision.