

# The Huntsville Times

## Will Federal In-sourcing of Jobs Cut what Some See as Overdependence on Contractors?

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HUNTSVILLE, AL -- Huntsville wears "The Rocket City" proudly, but it would be no less accurate to call this place "Federalburg."

Redstone Arsenal is rightly praised as a federal campus, not only an Army post. It hosts offices and operations for NASA, the Missile Defense Agency, the FBI, the Justice Department's Bureau of Alcohol, Tobacco and Firearms - a total of more than 60 government agencies and organizations managing a total of over \$50 billion in annual budgets.

Of the approximately 35,000 who work behind the gates on the arsenal every day, 17,000 are civilian government employees, GS-whatevers on the job for the Department of the Army, NASA and other federal bosses. Arsenal spokeswoman Kim Henry said there are also about 1,900 soldiers.

The rest - about 16,000, or 45 percent - are contractors, drawing paychecks from private employers. Off the arsenal, thousands more work for companies on government-funded projects in Cummings and Thornton Research Parks, the Progress Center and in hundreds of anonymous office buildings throughout Madison County.

So the U.S. government, courtesy of taxpayers, provides a lot of fuel for the economic engine of Huntsville. Contractors get a lot of it.

Some say too much. Among other things, the Washington Post series "Top Secret America" spotlights what critics - including many government officials - see as overdependence on contractors by U.S. intelligence and security agencies.

Federal agencies outside the intelligence realm are also trying to reduce the use of contractors, and those are the efforts felt most in the Rocket City, where there is more work involving helicopters, missiles, spacecraft and procurement than spies and tracking terrorist movements.

To do that, agencies are "in-sourcing" certain jobs and contracts that have been out-sourced to contractors, creating government positions to carry out what federal rules call "inherently government functions."

But someone still has to do the work. What worries CEOs and managers is that government agencies will be hiring the same men and women performing that work now away from their companies.

It's especially worrisome in Huntsville board rooms, where there are already concerns about having enough of a skilled work force to meet the demands of job growth spurred by the 2005 Base Realignment and Closure decision.

Henry - who emphasized she can speak only for the Aviation and Missile Life Cycle Management Command, not for all agencies on the arsenal - pointed out that Congress included in-sourcing in the National Defense Authorization Act passed in January 2008. AMCOM is going forward with in-sourcing based on guidance from their higher headquarters.

"Though this will have an impact on the way our organization is staffed and operated, it is an opportunity to transform the way we do business," Henry said. "We look forward to working with our partners in our higher headquarters and defense industry to accomplish what is in the best interest of our nation to continue our support to the warfighter."

Some proponents of in-sourcing, or of simply using fewer contractors, say it would be better to have a work force of government employees who would presumably focus more on the public interest than on profits and shareholders, particularly in the intelligence world.

"I don't think that's a legitimate issue in any world," said Stan Soloway, president and CEO of the Professional Services Council, which has more than 330 member companies that work with federal agencies.

"It's time to disabuse ourselves of the notion that the mere color of the badge you wear at work determines whether you are diligent, committed to the mission, patriotic or ethical," he said. "Particularly in this environment - and in Huntsville it's a great example - where such a large percentage of the folks who may be working for companies are ex-military or ex-fed.

"But even then, I mean, the idea that somebody's commitment to country, commitment to mission and ethical behavior is driven by - it's not an institutional issue, that's a personal quality."

Even at times when it might appear that shareholders' interests could conflict with government's or taxpayers' - not from a national security perspective but from a business perspective - Soloway said there are solutions.

"The beauty of a good contract, a well-written, well-managed contract, is that you can incentivize any behavior or dis-incentivize any behavior you want," he said. "So I don't think that's a fair issue at all."

Sure, the government might try to cancel a program that's no longer needed, and the company involved knows that is in direct contravention of its bottom line or shareholder interests.

"But companies in this business know that that happens. They don't like it, but they know it," Soloway said.

"Ultimately, their best interests coincide with the government's interests," he said. "The quality of their performance, their commitment and their focus on mission is what, more than anything else, drives whether they get additional work."

Soloway said the Post piece raises some good points, but he took issue with the cost comparisons. He said that when you take the long-term view, there are still good reasons for out-sourcing: cost, when contractors can still save money over government employees in some instances, such as Information Technology services; meeting surge requirements, providing temporary and services when needed, even for a period of years, and when unique expertise is needed and the government can't justify keeping it on staff.

"My prediction is that by 2012 all this talk about in-sourcing will be significantly subsided, because the government won't be able to pay for the people they've in-sourced," said Joe Alexander, vice chair for government affairs for the Huntsville/Madison County Chamber of Commerce, and president of Camber Corp. "In my humble opinion," he added.

In the 1990s the government watchwords were downsizing and out-sourcing, he said, so they could save money by using fewer costly federal employees.

"We're now hearing the reverse of that logic to justify in-sourcing," Alexander said.

"The challenges and the obstacles to optimal performance in the intelligence community that the Post identified are not contractor issues," Soloway said. "These are government management and structural issues. The contractors are there responding to what their customers have told them they need."