



36 Organizations Sign Letter to President Obama Urging Halt to Insourcing Agenda *Lack of Savings and Impact on Economy Crucial Rationale for Administration to Reverse Course*

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*Lack of Savings and Impact on Economy Crucial Rationale for Administration to
Reverse Course*

FOR IMMEDIATE RELEASE

Washington, DC, August 19, 2010 - A broad based coalition of 36 national and regional business, taxpayer and free market organizations has sent President Obama a letter urging an immediate moratorium on insourcing - the conversion of work currently performed by private sector contractor firms to performance by Federal government employees.

The coalition's action comes on the heels of comments from two key policy makers. Last week, Defense Secretary Robert Gates said, "We weren't seeing the savings we had hoped from insourcing." When asked in June about the effect insourcing had on small and minority owned business, Senator Robert Menéndez (D-NJ), Chairman of the Democratic Senatorial Campaign Committee, said insourcing was "counter-intuitive to the President's goal of creating opportunities in the federal contracting system for diversity. We already have a much more limited universe than we should, and if [insourcing] is being pursued, then it is only going to erode what exists, so it doesn't make a lot of sense."

"More than 17 months have passed since the March 4, 2009 publication of your Administration's memoranda on government contracting. That memo highlighted the insourcing agenda. This shift to government performance of commercial activities not only hinders the private sector, including small and minority owned business, but places additional costs on taxpayers during a lengthened period of a steep decline in the nation's economy, a staggering national debt, and a high national rate of unemployment. The government intrusion and competition in the private market that insourcing brings is having a detrimental effect on capital investment and job creation," the coalition stated in its letter to the President.

Business Coalition for Fair Competition President John Palatiello said, "Given Secretary Gates' recent acknowledgment that insourcing does not save money, Senator Menendez's concerns that insourcing is 'counter-intuitive' to the Administration's goal of creating Federal contracting opportunities, particularly for small and minority owned businesses, and the current state of the nation's economy, these groups respectfully urge the Obama Administration to issue an immediate moratorium on all insourcing efforts throughout the Federal government."

The letter noted that insourcing is occurring without public-private comparisons or cost analysis, and that a clear and objective metric for justifying and determining cost-effectiveness of government performance of commercial activities should be developed to protect the interest of taxpayers. The coalition suggested that the Obama Administration use the moratorium period to develop a policy, similar to that which in effect beginning in 1955, that recognized that real economic growth and job creation is in the private sector, and emphasized that government should rely on the private sector to the maximum extent possible and not compete with its citizens.

Signing the letter was 60 Plus Association, Alliance for Worker Freedom, American Congress on Surveying and Mapping, American Council of Engineering Companies, Americans for Tax Reform, The American Machine Tool Distributors' Association, Business Coalition for Fair Competition, Center for Fiscal Accountability, Charles W. Baird Ph.D., California State University, East Bay, Coalition for Government Procurement, Competitive Enterprise Institute, Construction Industry Round Table, Design Professionals Coalition, Fairfax County Chamber of Commerce, Fairness in Procurement Alliance, Grassroot Institute of Hawaii, Grassroot Voices, Hispanic Leadership Fund, Indian American Conservative Council, Institute for Policy Innovation, Latin American Management Association, Management Association for Private Photogrammetric Surveyors, National Association of RV Parks & Campgrounds, National Child Care Association, National Emergency Equipment Dealers Association, National Taxpayers Union, Northern Virginia Technology Council, Property Rights Alliance - Hawaii, Public Service Research Foundation, Reason Foundation, Small Business & Entrepreneurship Council, TechAmerica, The Associated General Contractors of America, The Frederick Douglass Foundation, United Motorcoach Association, and U.S. Chamber of Commerce.

ABOUT BCFC

The Business Coalition for Fair Competition (BCFC) is a national coalition of businesses, associations, taxpayer organizations and think tanks that are committed to reducing all forms of unfair government created, sponsored and provided competition with the private sector. BCFC believes the free enterprise system is the most productive and efficient provider of goods and services and strongly supports the Federal government utilizing the private sector for commercially available products and services to the maximum extent possible.

August 19, 2010

The President
The White House
Washington, DC 20500

Dear Mr. President:

The undersigned organizations request your Administration issue an immediate moratorium on insourcing – the conversion of work currently performed by private sector contractor firms to performance by Federal government employees.

Last week, Defense Secretary Robert Gates said, “We weren’t seeing the savings we had hoped from insourcing.” (“Insourcing failed, DOD's Gates says. Now what?” *Federal Computer Week*, August 10, 2010.)

In June, Senator Robert Menéndez (D-NJ) was asked about the effect insourcing had on small and minority owned business. The Chairman of the Democratic Senatorial Campaign Committee said insourcing was “counter-intuitive to the President’s goal of creating opportunities in the federal contracting system for diversity.” Sen. Menendez concluded, “We already have a much more limited universe than we should, and if [insourcing] is being pursued, then it is only going to erode what exists, so it doesn’t make a lot of sense.” (“Procurement pinata out of hispanic reach” *Hispanic Link News Service*, June 21, 2010.)

Every Congressionally-chartered White House Conference on Small Business (1980, 1986, and 1995) has made unfair government competition with small business a top issue. The issue of government competing with the private sector has been a serious concern for small business for decades. According to inventories compiled under the Federal Activities Inventory Reform (FAIR) Act, beginning under the Clinton Administration in 1999, there are still more than 850,000 Federal employees engaged in activities which are commercial in nature. Subjecting these positions to established public-private comparisons can save more than \$27 billion annually over the next 5 years. We are concerned that in-sourcing is occurring without such public-private comparisons or cost analysis. In fact, a recent Air Force insourcing effort was reversed when a court challenge was filed noting that no standards for cost analysis were utilized.

More than 17 months have passed since the March 4, 2009 publication of your Administration’s memoranda on government contracting. That memo highlighted the insourcing agenda. This shift to government performance of commercial activities not only hinders the private sector, including small and minority owned business, but places additional costs on taxpayers during a lengthened period of a steep decline in the nation's economy, a staggering national debt, and a high national rate of unemployment. The government intrusion and competition in the private market that insourcing brings is having a detrimental effect on capital investment and job creation.

Given Secretary Gates’ recent acknowledgement that insourcing does not save money, Senator Menendez’s concerns that insourcing is ‘counter-intuitive’ to your Administration’s goal of creating Federal contracting opportunities, particularly for small and minority owned businesses, and the current state of the nation’s economy, **we respectfully urge your Administration to issue a revision to the insourcing agenda calling for an immediate moratorium on all insourcing efforts throughout the Federal government.**

We suggest that your Administration use the moratorium period to develop a policy, similar to that which was Federal policy, in 1955, that recognizes that real economic growth and job creation is in the private sector, and emphasizes that government should not compete with its citizens, but should rely on the private sector to the maximum extent possible. Finally, a clear and objective metric for justifying and determining cost-effectiveness of government performance of commercial activities should be developed to protect the interest of taxpayers.

Sincerely,

Jim Martin
Chairman
60 Plus Association



Christopher Prandoni
Executive Director
Alliance for Worker Freedom (AWF)



Curtis W. Sumner
Executive Director
American Congress on Surveying and Mapping (ACSM)



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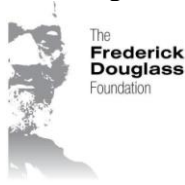


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Quality People. Quality Projects.

Timothy F. Johnson, Ph.D.
Chairman
The Frederick Douglass Foundation



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