



April 11, 2011

The Honorable Howard P. "Buck" McKeon, Chairman
Committee on Armed Services
U.S. House of Representatives
Washington D.C. 20510

Dear Mr. Chairman:

The Business Coalition for Fair Competition (BCFC), 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, appreciates the opportunity to comment on the negative effects insourcing is having on the private sector, including small business.

During our February 2011 meeting, you asked BCFC to collect and organize various examples of insourcing for the Committee to investigate and take appropriate action.

Insourcing is stealing private sector jobs and creating more expensive and expansive government jobs. As you may know, Secretary of Defense Robert Gates conceded in August of 2010 that insourcing is **NOT** producing anticipated savings. Instead, insourcing is hurting the private sector, including small business, minority firms and veteran owned firms. The Obama Administration has not issued standards for insourcing. It has no methodology for demonstrating cost savings. There is no transparency with regard to rights or appeal procedures for small business. In the landmark court case on this matter, the Air Force reinstated a contract planned for insourcing when it could **NOT** document that it had conducted any analysis to demonstrate cost savings. In February of this year, Secretary of the Army John McHugh issued a memo also calling for widespread insourcing to halt within the Army.

We know you are personally aware of the pervasiveness of insourcing from your efforts to stop such an action affecting firefighters at "Plant 42" in Palmdale. <http://www.sfvbj.com/news/2011/jan/03/layoffs-planned-firm-services-plant-42/>. This same scenario is playing out among private sector firms across the Nation.

We believe Congress should be taking steps to encourage the creation of private sector jobs, not growing government. Your action and leadership will prevent government competition with the private sector and help implement the "Yellow Pages" Test – if a product or service can be found from a private business in the Yellow Pages, the government should **NOT** be doing it. Your reaction to hearing of the Yellow Pages Test during our February meeting was highly encouraging. BCFC looks forward to working with you on expanding this approach in removing unfair government competition with the private sector- those firms found in the yellow pages.

The Obama Administration claims insourcing only affects "inherently governmental functions". That is not the case. We have seen examples of contracts for mapping, food service, fire-fighting, audio-visual services and other obviously commercial activities being insourced. Action by Congress should **NOT** affect inherently governmental activities; it should only prevent insourcing of commercial activities. Congress and the Administration should develop and implement a workable policy and prevent expensive and illogical decisions in the interim. A provision in the 2012 National Defense Authorization Act would provide a period of time to do that.

Since August 2010, BCFC has been collecting examples of insourcing from various businesses and organizations. BCFC respectfully submits the following examples for your review and action:

- 1) **Agency:** Air Force
Contract Number: FA8623-05-C-6350
Scope of Work: Operations and Maintenance, Guard Services, Airfield Operations, Fire Fighting (Structural and Aircraft Rescue), Engineering, Aircraft Fueling, Maintenance, IT, Grounds and Janitorial, Vehicle Maintenance at Plant 42, Palmdale, California.
Insourcing Rationale: Cost savings.
- 2) **Agency:** Air Force
Contract Number: FA4890-10-C-0006
Scope of Work: Meteorology Services (weather forecasting, weather observation, maintenance and support services) at 11 Army Bases Nationwide.
Reason Stated for Insourcing: Cost savings.
- 3) **Agency:** Air Force
Contract Number: FA3002-04-C-0005
Scope of Work: Pilot Training at Pensacola Naval Air Station, Florida.
Insourcing Rationale: Cost savings.
- 4) **Agency:** Army
Contract Number: NAFIB9-08-C-0023
Scope of Work: Library Administrative Support at Fort Polk, Louisiana.
Insourcing Rationale: Cost savings.
- 5) **Agency:** Army
Contract Number: W911SE-07-G-0001-0001
Scope of Work: Helpdesk, Engineering Network, System Security, Mail Administration Support at Ft. McPherson, Georgia.
Insourcing Rationale: Cost savings.
- 6) **Agency:** Army
Contract Number: W911SE-08-C-0023
Scope of Work: Program Management for the Command's Antiterrorism/Force Protection Program at Ft. McPherson, Georgia.
Insourcing Rationale: Cost savings.
- 7) **Agency:** Army
Contract Number: W911SE-07-D-0035-0002
Scope of Work: All Personnel, Supplies, Administration, and Management to Operate the G3 Force Management Division (FMD) Mission at AERCENT Headquarters, Fort McPherson, Georgia and Kuwait.
Insourcing Rational: Cost savings.
- 8) **Agency:** Army
Contract Number: W911SE-07-D-0024-0002
Scope of Work: Military Vehicle Condition Evaluations at Ft. McPherson, Georgia.
Insourcing Rational: None.
- 9) **Agency:** Army
Contract Number: W912SU-08-P-0037
Scope of Work: Provide Civilian Instructors to Teach Advanced Individual Training (AIT) and Transition Students for Military Occupational specialty (MOS) 14E Patriot Operator Maintainer Training and Teach the Warrant Officer Basic Course (WOBC) to Warrant Officers Who Are Attending the 140E Patriot Technician Course at Fort Eustis, Virginia.
Insourcing Rationale: None.

- 10) **Agency:** Army
Contract Number: W81K00-09-P-0314
Scope of Work: Non-personal Services to Provide Outpatient Clinical Coding, Physician Documentation Training, and Auditing of Written and Computerized Medical Records at Raymond W. Bliss Army Health Center (RWBAHC) and Its Clinics Located within the Health Center and at Primary Health Care Sites on the Fort Huachuca Installation at Fort Sam Houston, Texas.
Insourcing Rationale: None.
- 11) **Agency:** Army
Contract Number: W911SO-09-P-ORI-01
Scope of Work: Providing U.S. Army Students the Specialty Skills and Technical Ability to Perform the Duties of a Motor Vehicle Operator (otherwise known as Motor Transporter) of Light and Medium Tactical Wheeled Vehicles under Varying Field Conditions and Convoy Operations at Fort Leonard Wood, Missouri.
Insourcing Rationale: None.
- 12) **Agency:** Army
Contract Number: W911KF-08-C-0008
Scope of Work: Production Supply Support including Material Handling, Fuel Distribution, Tire Repair, and Disassembly and Assembly Support at Anniston Army Depot, Alabama.
Insourcing Rationale: None.
- 13) **Agency:** Army
Contract Number: W911KF-06-C-0001
Scope of Work: Production Cleaning including Steam Cleaning, Vehicle Cleaning, and Container Cleaning at Anniston Army Depot, Alabama.
Insourcing Rationale: None.
- 14) **Agency:** Army
Contract Number: W81K00-07-P-0950
Scope of Work: Perform Medical Support Assistant Services, (also known as a Medical Clerk) at the Medical Treatment Facility (MTF), Raymond W. Bliss Army Health Center (RWBAHC), Fort Huachuca, Arizona.
Insourcing Rationale: None.
- 15) **Agency:** Army
Contract Number: W81K00-06-P-0731
Scope of Work: Provide the Services of a Clinical Psychiatric Nurse to the Institute of Surgical Research Burn Center at Brooke Army Medical Center, Fort Sam Houston, Texas.
Insourcing Rationale: None.
- 16) **Agency:** Air Force
Contract Number: FA9301-09-R-0007, Order 0001
Scope of Work: Photography and AV Services at Edwards Air Force Base, California.
Insourcing Rationale: Cost savings.
- 17) **Agency:** Air Force
Contract Number: FA663308D0002
Scope of Work: Base Network Control Center at Minneapolis-St. Paul Air Reserve Station, Minnesota.
Insourcing Rationale: Cost savings.
- 18) **Agency:** Navy
Contract Number: N44255-02-D-9000
Scope of Work: Supply services to FISC, US Navy-Naval Air Station Fallon and FISC, Fallon, Nevada.
Insourcing Rationale: Cost savings.

- 19) **Agency:** Coast Guard
Contract Number: HSCG23-08-D-MMZ339
Scope of Work: Contract supports function of licensing merchant mariners at the Coast Guard's National Maritime Center in West Virginia.
Insourcing Rationale: Cost savings.
- 20) **Agency:** Air Force
Contract Number: FA8771-04-D-0003 TO QW02
Scope of Work: 30SW GeoBase (IGI&S) Support at Vandenberg AFB, California.
Insourcing Rationale: Cost Savings.
- 21) **Agency:** Air Force
Contract Number: GS-35F-0425P/GST0509BM0062
Scope of Work: Installation and Expeditionary Geospatial Information & Services Program Sustainment and Support, 6 AFMC Installations.
Insourcing Rationale: Cost Savings.
- 22) **Agency:** Air Force
Contract Number: GS-35F-0425P / GST0509BM0111
Scope of Work: Program Support for Communications Mission Data Sets with Cyberspace Infrastructure Planning System (CIPS) Visualization Component, Various AMC Installations.
Insourcing Rationale: Cost Savings.

In addition, BCFC has been collecting examples of insourcing in news articles. The following passages will provide excerpts from various media highlighting the negative impacts insourcing is causing in the private sector, including small business.

- 1) With 450 employees, Jan Smith's defense contracting business is considered small. She started it 16 years ago and built it up through thoughtful recruiting of bright minds, often giving them bonuses for relocating and paying for their moving expenses and for training they needed to do a certain job. "We make these investments knowing it will take five or six years to recoup those expenses," said Smith, president of System Studies & Simulation Inc. A fairly new practice being implemented by the federal government interrupts the recouping process. It's called "insourcing," and it allows the government to convert some contracting jobs because the tasks the employees are performing functions "inherently governmental." But several local defense contracting firms have a problem with the way the government is implementing the process, which was passed in 2008. ... Smith, who has workers at 33 government sites, said she's lost 30 employees to insourcing in the past year, and she knows she's slated to lose more. "That's a pretty drastic number for a small business," she said. "When the government hires them away from us, we lose the position and we lose the employee. "(Small defense contracting firms) were notified in Washington this week that the government will insource another 7,000 this year and 11,000 in 2012. We absolutely believe some of these will come from Huntsville." The problem isn't with the concept of insourcing, Smith said. It's the way it's being implemented. She said it feels as if it's being arbitrarily done, in almost a quota-fashion instead of someone taking a close look at the jobs and determining if the work is "inherently governmental." "(Defense Secretary Robert) Gates' memo said it was not a quota, that if the government found there were jobs being handled by contractors that were governmental in nature, then a change would be made," she said. "We were assured it wasn't a matter of numbers but a matter of finding the occurrence and correcting the problem. "But they're insourcing all kinds of jobs that don't fit that requirement. And it's hurting small business." ... Wallace Kirkpatrick, CEO of Defense Energy Space Environment (DESE) in Huntsville said he's lost 5 percent of his modeling and simulation workforce to insourcing: "There's a total disconnect to the way this is being handled." "I don't know of anyone who disagrees with the premise that the government should be handling inherently governmental functions," Kirkpatrick said. "But they need to do a much better job of defining that and following a plan, not just going about it willy nilly. "I know it's a mandated thing, but slow down. Get it right." (May 4, 2010 - http://blog.al.com/huntsville-times-business/2010/05/huntsville_defense_contractors.html)
- 2) The mandate has left some local defense contractors, like Alpha Ten Technologies Inc. President and COO Dave Dickey feeling "squeezed." After working with the Army for five years, Alpha Ten's 10 information technology

employees were replaced by 13 government workers. ... Kenneth Slaght, of General Dynamics (NYSE: GD) and president of NDIA, said he worries that government entities are not looking at the long-term costs of insourcing. He said he knows from his former position at SPAWAR that the government does not factor in retirement costs and benefits for new employees when pricing insourced labor. "When you bring government people on they're never going away," he said. With outsourcing, however, during program or budget cuts the government can close out contracts and not refill the positions. ... Laura Barish, president of Bernardo Technical Services Inc. (BTSI), said she is concerned about how insourcing affects small businesses in particular. According to the Small Business Administration, just over half of people in the United States work for a small business. Additionally, the SBA reports small businesses created 64 percent of net new jobs over the past 15 years. "When you get into insourcing and take away from small business, you're hitting the breadbasket," she said. Currently, major contractors have to fulfill requirements for utilizing different types of small businesses. However, insourcing can limit the potential for new contracts, therefore "debilitating up-and-coming small businesses," Barish said. (May 18, 2010 - <http://www.intellisolinc.com/Download.aspx?id=20>)

- 3) The government refers to the hiring push as "insourcing," but it feels more like "stealing" employees to Dave Everhart, president of Veteran Defense Services Inc. of Bellevue. He said the military is hiring the contractors' employees to do the work they're already doing. In the process, the military cuts out the contractors who paid to recruit and train those people, he said. Everhart said he has had 10 employees snapped up by the military over the past year and expects several more to go this summer. He's not sure exactly how many will go because often he learns which employees are making the move only when they're walking out the door. By then he's left in the lurch, typically losing both the contract and the employee. ... "A year ago, it became a fire sale," Everhart said. Offutt Air Force Base houses the 55th Air Force Wing and the U.S. Strategic Command. The wing has yet to make any hires under the insourcing push, but StratCom has hired 164 people to do work previously slotted for contractors. ... Everhart's offices are housed in a modest red-brick building just off Cornhusker Road. The offices are quiet, the conference room dark, as his employees mostly work in the government facilities at Offutt, alongside their government counterparts. Their work is classified but generally involves tasks such as assessing StratCom mission performance and software engineering. The Greater Omaha Chamber of Commerce named the contractor its 2009 Emerging Business of the Year, and the Bellevue Chamber of Commerce named it 2009 Small Business of the Year for those employing 16 to 50 workers. At its peak the company employed 32 people but is down to 15, partly because of insourcing. (June 8, 2010 - www.omaha.com/article/20100608/NEWS01/706089949)
- 4) Aquasis Services Inc. in Pensacola, Fla., is one of those small businesses whose existence is being threatened by insourcing. "I've lost everything," said company President Steve Westerlund. Last year the Department of Defense decided to insource his administrative support contract at Fort Leavenworth, Kan., where his firm's 30 employees ordered, warehoused and distributed instructional materials for the Command and General Staff College. This year the Navy is in the process of taking over his administrative support contract for flight training at Naval Air Station Whiting Field in Milton, Fla., where Aquasis employs 70 people. That will leave his company with no contracts. "There is nothing to bid on," Westerlund said. "The whole landscape of service contract work for the government, doing functions like I've been doing for 27 years, no longer exists." (June 18, 2010 - <http://baltimore.bizjournals.com/baltimore/stories/2010/06/21/story10.html?b=1277092800^3527641>)
- 5) In addition to paperwork, a constant menace to small business owners trying to operate with the government is the government itself. President Obama sent out a memo 15 months ago directing all federal agency heads to "clarify when governmental outsourcing is or is not appropriate." Since its release, there has been a push to turn over "inherently governmental functions" to federal agencies. ... Senator Robert Menéndez (D-NJ) spoke to some of the small business people who attended the Minority Roundtable Luncheon during a separate reception held at the Russell Senate Office building. Menéndez serves on the Senate's banking and finance committees, and he is the chairman of the Senate Democratic Hispanic Task Force. Asked by Hispanic Link about in-sourcing and how it affects small businesses, he said it seemed "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 that is being pursued, then it is only going to erode what exists, so it doesn't make a lot of sense to me," Menéndez said. (June 21, 2010 - www.pontealdia.com/columnists/procurement-pinata-out-of-hispanic-reach.html)

- 6) Now, Native-owned companies are also coping with the effect of government "insourcing," a process by which government agencies stop using private companies to perform "recurring commercial activities" and instead bring the work back in-house to be performed by government employees. Such jobs might include phone banks, mail sorting and data entry, to name a few. In the past, Native-owned and other small businesses were able to land some of those contracts, but they say they are already feeling the pain of the Obama administration's recent insourcing directive. ... "We are getting crucified out there," said a man from Colorado-based Aleut Management Services. His company had, he explained, just lost \$10 million in contract opportunities and jobs to services that had recently been determined to be "inherently government work." Another company complained that the government lured one of its engineers away, and lawyers presenting later in the day told the crowd instances of the government "cherry picking" new employees from private companies did not appear to be isolated. "This is serious," the man from Aleut pleaded. "You are putting small business out of business."
(June 23, 2010 - www.alaskadispatch.com/projects/investigating-8a-contracting/5772-government-shift-to-insourcing-impacting-native-owned-businesses)
- 7) In the past, government recognized that private companies, especially small businesses, could perform work for the government more efficiently and more economically than could the government worker. Example: My company took over the management of the Air Force bombing range at Avon Park. The government performed the work with 15 people and used seven trucks. My company managed the same work on contract for 6 years with seven people and two trucks, saving the Air Force millions of dollars over the 6-year period. However, after three months in office, President Obama directed that the Department of Defense "insource" as much of the contracted work as possible — a process that will convert about 40,000 private-sector workers to government civil servants. USA Today recently published an article that compared the cost of a government worker to that of a private-sector worker and found that the government worker costs about 35 percent more than the private-sector worker. The government even states in its own publications that it recognizes that a government worker is about 15 percent less productive than a private-sector worker. I can tell you with certainty that this will be expensive — very expensive — for the American taxpayer. Yes, I have a vested interest. But I also pay lots of taxes. This process will undoubtedly put more people on the government payroll, while at the same time put a burden on our economy.
(July 5, 2010 - www.tcpalm.com/news/2010/jul/05/letter-taxpayers-will-soon-be-footing-the-bill/)
- 8) 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. ... 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 outsourced 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.
(July 25, 2010 - http://blog.al.com/breaking/2010/07/post_367.html)
- 9) I wrote a letter recently about a March 4, 2009, memo from President Barack Obama that directed agencies to convert contractor personnel to government civil servant positions, but only after the government did an analysis to determine if the government cost would be less. My company has two contracts that were subject to this insourcing. I requested through the Freedom of Information Act that the government furnish me its analysis as it had determined that on both of my contracts that government was cheaper. The government stonewalled my

request for months — so much for transparency — until I finally hired an attorney to help. On one response the government outright lied about its analysis, and just this week admitted to using “wrong data,” but only after my company filed a lawsuit against the Army, Air Force and Department of Defense. On the second contract, an Air Force colonel who was on the inside with the Air Force government analysis stated to us confidentially that the Air Force manipulated the GS grade levels in its analysis so that it could come in under the contractor’s price. He was embarrassed to tell us that the Air Force had knowingly submitted fraudulent data. Our company was extremely surprised that the government’s attorney finally admitted in court documents that it had made its decision to in-source my work, based on “wrong data.” It would have been discovered at some point anyway, but finally having filed the lawsuits prompted government officials to admit what we already knew. George Sigler, Vero Beach

(August 14, 2010 - <http://www.tcpalm.com/news/2010/aug/14/letter-adventures-in-insourcing-losing-out-to/>)

- 10) Central Texas businesses who contract with defense are beginning to feel the heat from budget cuts. Not only are they having to compete against other companies, but now they're competing against the government itself. Instead of contracting out the jobs, the government has taken it upon themselves to do the work, hiring away local workers and the jobs. Local business owners say they've seen a significant increase in that sort of work. "The government comes along and says, 'No, we're going to insource all of those guys, and you may lose 20, 30, 40 people.' That hurts particularly," said Dean Honchul, VP of Blackhawk Management. Workers themselves get lured to work with the government in sourcing military work because the stability that government jobs can create, not to mention higher pay than some companies can afford. The budget cuts announced by Secretary of Defense Robert Gates last week means even more government insourcing and less contracting for military work, mounting stress on those who are already feeling it. David Mitchell, CEO of McLane Advanced Technologies in Temple, has already gone through three rounds of layoffs within the past year. One of the contributing factors was government insourcing. "There's simply been a reduction in positions, as a result of no funding available to support them," Mitchell said.

(August 16, 2010 - <http://www.kxxv.com/Global/story.asp?S=12988750>)

- 11) The Department of Defense’s plan to “in-source” flight simulator instructor jobs at Vance Air Force Base and other undergraduate pilot training bases has drawn fire from Enid’s state senator. The defense department is in the process of hiring 76 simulator instructors to take jobs now held by employees of Lear Siegler Services Inc., a private contracting company, at Vance. This is the result of Resource Management Decision 802, announced more than a year ago by Defense Secretary Robert Gates. ... State Sen. Patrick Anderson, R-Enid, agrees in-sourcing would end up costing taxpayers millions of dollars. “This is the kind of bureaucratic bungling that has destroyed the public’s trust in the federal government,” he said. “Despite claims that this plan would save more than \$480,000 over five years, it will actually end up costing taxpayers another \$27.5 million — and that’s based on the Air Force’s own numbers.” A letter to Air Force Secretary Michael Donley from Lear Siegler Services site manager Jack “Pappy” Beam and Vance Instructor Association President Kenneth Sumpter urges the effort to in-source Vance simulator instructor jobs be halted and the Lear Siegler Services contract be renewed, “and that a fiscal re-analysis be accomplished over the next year to positively ensure that a conversion to federal employees is cost-effective and warranted.” Anderson said U.S. Sens. Tom Coburn and Jim Inhofe, as well as U.S. Rep. Frank Lucas, have joined him in speaking out against the plan to make the contract simulator instructor jobs government positions. “The Obama administration has directed that the private sector jobs be in-sourced and the individuals who are performing the jobs will then become government employees,” Anderson said. “You will have the same people doing the same work they are doing today — it will just cost the taxpayers a whole lot more.” Vance already has seen some in-sourcing, with civilian contract security forces officers being replaced by Department of Defense security officers beginning last September. The Lear Siegler Services representatives’ letter to Donley cited a number of negative effects of the conversion from contract simulator instructors to Defense Department civilians, including the fact each current employee stands to take a \$7,000 to \$25,000 pay cut and the resulting loss of retirement benefits. That, the letter says, will significantly reduce local tax revenues. Because of hiring practices and restrictions, the letter states, some 10 to 15 percent of current employees will not be rehired, resulting in increased costs of training new simulator instructors. “In this period of economic uncertainty,” the letter states, “it makes little sense to increase the government’s expense and taxpayer liability, while lowering personal incomes, lowering tax revenues for our communities, putting current employees out of work and shouldering the cost of training replacement employees.” The in-sourcing plan, Anderson said, “is part of the

Obama administration's attempt to create an illusion that their policies have created new jobs. Otherwise it makes absolutely no sense."

(August 19, 2010 - <http://enidnews.com/localnews/x1668174880/Sen-Anderson-at-odds-with-proposed-in-sourcing-of-flight-simulator-jobs-at-Vance-AFB>)

- 12) Insourcing is one of the president's priorities, dating from the campaign, when he pledged to cut contracting dollars by 10 percent. Union membership is growing only in the government sector, so expanding government jobs is vital to the president's union base. One of Obama's first actions, in March 2009, was to issue a memorandum to department heads stating that "government outsourcing for services also raises special concerns" and that "contractors may be performing inherently governmental functions." ... Already many small businesses are losing contracts because of OMB's push for insourcing. ... Defense Secretary Robert Gates admitted on Aug. 9 that "we weren't seeing the savings we had hoped from insourcing," and Sens. Robert Menendez, D-N.J., Barbara Boxer, D-Calif., and Dianne Feinstein, D-Calif., have expressed serious reservations. ... In addition, insourcing can result in lower-quality services. One example is Camp Smith, a National Guard base in Cortlandt, New York, where contracts with local civilian caterers are not being solicited because the provision of meals for the troops is apparently an "inherently governmental function." The New York National Guard is therefore not allowing small businesses to bid on all catering contracts, even though they can offer better meals at a lower price. This means that rather than a lunch cooked on the base by a civilian caterer, troops must eat plastic-wrapped box meals at a higher total cost. Surely the young men and women who are putting their lives at risk deserve hot meals with salad and dessert rather than prepackaged cold rolls and cans of tuna. Government employees excel in some areas, and private sector workers excel in others. It only takes a little common sense to conclude that government employees should focus only on those in areas where they stand out rather than requiring them by law to do everything. With sky-high deficits and high unemployment, let's hope a little common sense will prevail in Congress.

(October 14, 2010 - <http://www.sfoxaminer.com/node/248722?category=1530>)

The American Legion has strongly spoken out on insourcing.

- 13) The federal government is taking contracting jobs out of the private sector and making them government jobs, and the Legion says that is a problem. The American Legion criticized a recent shift in federal insourcing policy at its small business development conference during the 92nd National Convention in Milwaukee. Joe Sharpe, director of the Legion's Economic Division, said the federal government is taking contracting jobs out of the private sector and making them government jobs, claiming that such a move will save money. "We have yet to see a study that actually proves insourcing will save the federal government a significant amount of money," Sharpe said. "But what we are seeing is an immediate negative impact on the veteran-owned small business community." By law, the federal government is required to provide 3 percent of its contracting dollars to businesses owned by service-disabled veterans. The standard set by the law, which has been on the books for a decade, has never been met. "They're taking away the people with contracting and procurement skills, hiring them as federal employees, and leaving the smaller companies to go bankrupt," he said. "Basically, federal agencies are saying, 'Come work for us. We'll make you a G-11 for doing the same job.'" "When you take 30 or 40 positions away from a small business, you're essentially crippling their ability to succeed in the private sector," said Mark Walker, deputy director of the Legion's Economic Division. He cited one situation in Arizona where new federal insourcing policy is endangering five small businesses. One of them, Oak Grove Technologies, is owned by Mark Gross, a member of The American Legion Small Business Task Force. According to Sharpe, three of the Arizona small businesses will probably shut down, and two others will be severely affected. "They'll probably close up shop and go somewhere else." Meanwhile, Sharpe says large defense contractors in the area such as Raytheon are hardly affected by insourcing policy because they have far more employees. ... "The American Legion has been on Capitol Hill, trying to save these five particular veteran-owned companies," Walker said. "We want Congress to re-evaluate this particular contract and whether insourcing really needs to be done." If insourcing has to be done, Sharpe said The American Legion wants to make sure it is done equitably and "not on the backs of small businesses. "We're trying to generate interest from local representatives in Arizona to participate in a congressional review of the policy and its effects," Sharpe said.

(September 2, 2010 - <http://www.legion.org/careers/90756/veteran-businesses-threatened>)

In June 2010, the SBA Office of Advocacy highlighted small business concerns related to insourcing.

14) Small business trade organizations have in general expressed support for the effort of the government to develop policy guidance on when work must be reserved for performance by Federal employees. However, small businesses want to make sure that they will not lose contracts as a direct result of the government revisiting the issue of “inherently governmental” and insourcing. The Office of Advocacy has received several calls from small businesses who have expressed a concern that as the government attempts to develop a more coherent policy on the definition of what is inherently governmental, the application of this policy by Federal agencies may make their contracts more vulnerable to cancellation unless there is a uniform and clear process of applying the policy guidance. To support this concern, these owners have discussed an Air Force insourcing policy statement that set a percent goal of bringing contract work back for Federal employees. ... Many small federal contractors have developed a single business model based on the business needs of the Federal government. ... Small businesses represent 99.7 percent of all employer firms, and they generate 60 to 80 percent of net new jobs annually. ... It would be unfortunate if small business contracts are cancelled, even though the government’s findings indicate that they are being performed at fair and competitive prices, and the government has to hire the small businesses’ employees to continue the work.

(June 1, 2010 – http://archive.sba.gov/advo/laws/comments/ofpp10_0601.html)

It is also important to note legal challenges to insourcing. In February 2010, an Air Force contract was insourced for audio-visual services, a commercial activity. The small business affected sued and won the contract back as the Air Force failed to document alleged cost savings associated with the insourcing.

(February 2010 - <http://www.tglf.com/documents/2010223pressrelease.pdf>)

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. **Your action and leadership on enacting an insourcing moratorium on the 2012 Defense Authorization will help support that goal.**

Please let me know how BCFC and the private sector may help with achieving this legislative remedy to this national problem.

Sincerely,



John M. Palatiello, President

1856 Old Reston Avenue, Suite 205
Reston, Virginia 20190
P (703) 787-6665; F (703) 787-7550