



Government, Inc.

Eliminating the Deficit by Ending
Government Performance of
Commercial Activities

Presented June 30, 2010

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Federal Activities

- Everything the Federal government does falls into one of two categories –
 - > Commercial
 - > Inherently Governmental

Federal Activities

- The Federal government has a workforce (non-postal, non-uniformed military) of about 1.9 million employees.
- Of that amount, more than 850,000 are in activities considered “commercial” in nature.
- These are activities for which you can find American businesses, large and small, on Main Street, in the Yellow Pages, that perform these activities.

Federal Activities

- The Federal policy (there is no statute) is found in OMB Circular A-76.
- Its origin is in Bureau of the Budget Bulletin 55-4, issued by the Eisenhower Administration on January 15, 1955.

Federal Activities

- From 1955 until changed by the Bush Administration in 2003, Bulletin 55-4/ Circular A-76 said:

“in the process of governing, the Government should not compete with its citizens. The competitive enterprise system, characterized by individual freedom and initiative, is the primary source of national economic strength. In recognition of this principle, it has been and continues to be the general policy of the Government to rely on commercial sources to supply the products and services the Government needs ... The Federal Government shall rely on commercially available sources to provide commercial products and services ... the Government shall not start or carry on any activity to provide a commercial product or service if the product or service can be procured more economically from a commercial source.”

Federal Activities

- Every White House Conference on Small Business has identified unfair government competition as one of the leading problems for small business

Federal Activities

- “The Federal Government shall be required by statute to contract out to small business those supplies and services that the private sector can provide. The government should not compete with the private sector by accomplishing these efforts with its own or non-profit personnel and facilities.”
 - White House Conference on Small Business, 1980

Federal Activities

- “Government at all levels has failed to protect small business from damaging levels of unfair competition. At the federal, state and local levels, therefore, laws, regulations and policies should ... prohibit direct, government created competition in which government organizations perform commercial services ... New laws at all levels, particularly at the federal level, should require strict government reliance on the private sector for performance of commercial-type functions. When cost comparisons are necessary to accomplish conversion to private sector performance, laws must include provision for fair and equal cost comparisons. Funds controlled by a government entity must not be used to establish or conduct a commercial activity on U.S. property.”
 - White House Conference on Small Business, 1986

Federal Activities

- “Congress should enact legislation that would prohibit government agencies and tax exempt and anti-trust exempt organizations from engaging in commercial activities in direct competition with small businesses.”
 - White House Conference on Small Business, 1995

Federal Activities

- The first (1947) and second (1953) “Hoover Commissions” (Commission on Organization of the Executive Branch of the Government) recommended reduction of government competition with private business.

Federal Activities

- Congress enacted the Federal Activities Inventory Reform (FAIR) Act in 1998 (PL 105-270), which requires agencies to inventory and “review” activities that are not inherently governmental
- Less than 20% of the 850,000 Federal employee positions deemed “commercial” have ever been reviewed for potential private sector performance

Federal Activities

- Congress has effectively imposed a moratoria on the FAIR Act and A-76 studies and ordered “insourcing” (PL 111-5 – Omnibus Appropriations)
- Congress has ordered (PL 111-17 – Consolidated Appropriations) and the Obama Administration has begun “insourcing” canceling contracts for commercial activities and converting those activities to Federal employees
- Congress has required agencies to set guidelines to ensure that federal employees are given "priority consideration" for new projects as well as functions performed by contractors (2008 National Defense Authorization Act)
- The Obama Administration has proposed a rule expanding the definition of “inherently governmental” activities (Fed. Reg. Vol. 75, No. 61, Wednesday, March 31, 2010)

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Audiovisual Products and Services**

- Photography (still, movie, aerial, etc.)

- Photographic processing (developing, printing, enlarging, etc.)

- Film and videotape production (script writing, direction, animation, editing, acting, etc.)

- Microfilming and other microforms

- Art and graphics services

- Distribution of audiovisual materials

- Reproduction and duplication of audiovisual products

- Audiovisual facility management and operation

- Maintenance of audiovisual equipment

- **Automatic Data Processing**

- ADP services - batch processing, time-sharing, facility management, etc.

- Programming and systems analysis, design, development, and simulation

- Key punching, data entry, transmission, and teleprocessing services

- Systems engineering and installation

- Equipment installation, operation, and maintenance

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Food Services**

- Operation of cafeterias, mess halls, kitchens, bakeries, dairies, and commissaries
- Vending machines
- Ice and water

- **Health Services**

- Surgical, medical, dental, and psychiatric care
- Hospitalization, outpatient, and nursing care
- Physical examinations
- Eye and hearing examinations and manufacturing and fitting glasses and hearing aids
- Medical and dental laboratories
- Dispensaries
- Preventive medicine
- Dietary services
- Veterinary services

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Industrial Shops and Services**

- Machine, carpentry, electrical, plumbing, painting, and other shops
- Industrial gas production and recharging
- Equipment and instrument fabrication, repair and calibration
- Plumbing, heating, electrical, and air conditioning services, including repair
- Fire protection and prevention services
- Custodial and janitorial services
- Refuse collection and processing

- **Maintenance, Overhaul, Repair, and Testing**

- Aircraft and aircraft components
- Ships, boats, and components
- Motor vehicles
- Combat vehicles
- Railway systems
- Electronic equipment and systems
- Weapons and weapon systems
- Medical and dental equipment
- Office furniture and equipment
- Industrial plant equipment
- Photographic equipment
- Space systems

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Management Support Services**
 - Advertising and public relations services
 - Financial and payroll services
 - Debt collection
- **Manufacturing, Fabrication, Processing, Testing, and Packaging**
 - Ordnance equipment
 - Clothing and fabric products
 - Liquid, gaseous, and chemical products
 - Lumber products
 - Communications and electronics equipment
 - Rubber and plastic products
 - Optical and related products
 - Sheet metal and foundry products
 - Machined products
 - Construction materials
 - Test and instrumentation equipment

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Office and Administrative Services**

Library operations

Stenographic recording and transcribing

Word processing/data entry/typing services

Mail/messenger

Translation

Management information systems, products and distribution

Financial auditing and services

Compliance auditing

Court reporting

Material management

Supply services

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Other Services**

- Laundry and dry cleaning

- Mapping and charting

- Architect and engineer services

- Geological surveys

- Cataloging

- Training -- academic, technical, vocational, and specialized Operation of utility systems (power, gas, water steam, and sewage)

- Laboratory testing services

- **Printing and Reproduction**

- Facility management and operation

- Printing and binding -- where the agency or department is exempted from the provisions of Title 44 of the U.S. Code

- Reproduction, copying, and duplication

- Blueprinting

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Real Property**

Design, engineering, construction, modification, repair, and maintenance of buildings and structures; building mechanical and electrical equipment and systems; elevators; escalators; moving walks

Construction, alteration, repair, and maintenance of roads and other surfaced areas

Landscaping, drainage, mowing and care of grounds

Dredging of waterways

- **Security**

Guard and protective services

Systems engineering, installation, and maintenance of security systems and individual privacy systems

Forensic laboratories

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Special Studies and Analyses**

- Cost benefit analyses
- Statistical analyses
- Scientific data studies
- Regulatory studies
- Defense, education, energy studies
- Legal/litigation studies
- Management studies

- **Systems Engineering, Installation, Operation, Maintenance, and Testing**

- Communications systems - voice, message, data, radio, wire, microwave, and satellite
- Missile ranges
- Satellite tracking and data acquisition
- Radar detection and tracking
- Television systems - studio and transmission equipment, distribution systems, receivers, antennas, etc.
- Recreational areas
- Bulk storage facilities

Examples of Commercial Activities Performed by the Federal Government (source: OMB Circular A-76, 1983)

- **Transportation**

Operation of motor pools

Bus service

Vehicle operation and maintenance

Air, water, and land transportation of people
and things

Trucking and hauling

Conclusion

- Since Inauguration Day, 2009, the private sector has lost more than 4 million jobs, while the Federal government has gained 109,700 jobs (Source: BLS)
- The average Federal employee costs the taxpayers \$4.27 million in total lifetime salary and benefits (Source ATR)
- The deficit and debt are being exacerbated by federal employees who are performing commercial (not inherently governmental) activities best left to the private sector

Federal Land Inventory

- The Federal Government owns *approximately* 650 million acres of land - almost 1/3 of the land area of the United States
- The Federal government lacks a current, accurate inventory of the real property (land and buildings) it owns
- The Bureau of Land Management has identified approximately 3.3 million acres of land deemed suitable for sale to non-federal entities, but has not sold that land

Federal Land Inventory

- The Federal government's real property asset (mis)management has been on GAO's "High Risk" list for several years
- On March 2, 2005, then-Secretary of the Interior Gail Norton told the House Appropriations Subcommittee On the Interior, Environment, and Related Agencies, "the Department currently uses ... over 100 different property systems.

National Commission on Fiscal Responsibility and Reform

- Should recommend an end to the Federal government's duplication of and competition with the private sector for the performance of commercial activities
- Should endorse reinstating the Federal policy that the government should not compete with the private sector but should utilize the private sector

National Commission on Fiscal Responsibility and Reform

- Should endorse enactment of legislation by Congress to establish a statutory framework
 - Freedom From Government Competition Act
 - H.R. 2682 – Rep. Duncan (R-TN)
 - S. 1167 – Sen. Thune (R-SD)

National Commission on Fiscal Responsibility and Reform

- Should recommend that each commercial activity of the Federal government be subject to:

direct conversion

vouchers

privatization

public-private partnerships

contracting out

asset sales and leases

divestiture

A-76 comparisons

and other instruments to transfer commercial activities from the government to the private sector

National Commission on Fiscal Responsibility and Reform

- Should recommend an end to all forms of subsidies and preferences for government run or sponsored activities that perform commercial activities and thus unfairly compete with private, tax paying companies –

Non-profit organizations

Universities

Prison Industries

National Commission on Fiscal Responsibility and Reform

- Should endorse re-establishment of the “Byrd Committee” -- the Joint Committee on Reduction of Nonessential Federal Expenditures -- in Congress.

National Commission on Fiscal Responsibility and Reform

- Should call for –
- a current, accurate inventory of all Federal land ownership, the elimination of obsolete, inaccurate and duplicate land inventories (H.R. 1520)
- an evaluation of the need for continued Federal ownership of each tract; and
- the establishment of a faster, more efficient process for surplus and disposal of land that can be transferred to state and local government or sold to private sector.



For Further Information Contact:

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