

Federal Insourcing Policy

Damaging the Private Sector ; Growing the Public Sector

The Business Coalition for Fair Competition (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.

Insourcing is the conversion of work currently performed by private sector contractor firms to performance by Federal government employees.

Insourcing is stealing private sector jobs and creating more expensive and expansive government jobs. Then-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.

In March 2009, the Obama Administration issued contracting guidance to help start the insourcing of activities on a massive scale. In May 2010, Rep. John Sarbanes (D-MD) sponsored an amendment to the FY 2011 Department of Defense Authorization codifying President Obama's insourcing agenda. The Sarbanes amendment was adopted by a recorded vote. The Senate, in its wisdom, removed this insourcing provision before the Defense Bill was signed into law.

The Obama Administration claims insourcing only affects "inherently governmental functions". That is not the case. Examples of insourced commercial activities include contracts for mapping, food service, fire-fighting, audio-visual services and other obviously commercial activities. While there should be oversight to assure that inherently governmental activities (as defined in the FAIR Act) are not being contracted to the private sector, Congress should impose a moratorium on insourcing of commercial activities, and work with the Administration to develop and implement a workable policy and prevent expensive and illogical decisions in the interim.

In 2011, the 112th Congress began to push back against insourcing. In May, the House passed H.R. 1540, the National Defense Authorization Act (NDAA). H.R. 1540 contains a "Sense of the Congress" amendment that creates a moratorium on insourcing commercial activities out of the private sector and into the Federal government. Rep. Nan Hayworth (R-NY) sponsored the amendment, Rep. Pete Sessions (R-TX) cosponsored, and Chairman Buck McKeon (R-CA) enrolled the amendment in his managers amendment. And in June, the House Small Business Subcommittee on Contracting and Workforce, chaired by Rep. Mick Mulvaney (R-SC), held an oversight hearing on the negative impacts insourcing has on the private sector, including small business.

The most recent high profile example of insourcing of commercial activities is the USAJobs Website. Monster had the contract canceled by the Office of Personnel Management (OPM). Thousands of users have complained about error messages, login difficulties, a buggy search engine and overall sluggishness. In October, Sen. John Kerry (D-MA) urged the White House to step in and end the OPM's attempt to insource the USAJobs website, and said the government should instead competitively bid USAJobs to a private firm.

An additional perspective on insourcing contracts and commercial activities out of the private sector is the revenue loss to state and local governments. With these budgets struggling and often in the red, this pinch on local economies also strains local and state government budgets, and in some cases may lead to an increase in taxes (including those imposed on small businesses to make up for shortfalls caused by insourcing work out of the private sector and into the performance by government employees) in order to balance these struggling budgets.

Congress should be taking steps to encourage the creation of private sector jobs, not growing government. Unfair government competition with the private sector can be reduced or minimized through implementation of 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.

ACTION REQUESTED: BCFC respectfully urges members of Congress to offer amendments to appropriations bills and authorization legislation calling for a moratorium on insourcing of commercial activities. For more information, contact John Byrd, BCFC Government Affairs Manager, at jbyrd@jmpa.us or (703) 787-6665.