

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,

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**Construction Industry  
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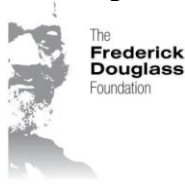


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