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**The Coalition
for Government
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June 1, 2010

Office of Federal Procurement Policy
Attention: Matthew Blum
New Executive Office Building, Room 9013
1724 17th St., NW
Washington, DC 20503

RE: Proposed OFPP Policy Letter

Dear Mr. Blum:

The Coalition for Government Procurement appreciates the opportunity to comment on the proposed policy letter designed to provide guidance to Executive Departments and agencies on the conditions under which work must be reserved for Federal Government employees as directed in section 321 of the National Defense Authorization Act (NDAA).

The Coalition for Government Procurement is a non-profit association of over 300 firms selling commercial services and products to the federal government. Our members comprise small, medium, and large businesses actively engaged in Federal business. Our members collectively account for approximately 70% of the sales generated through the GSA Multiple Award Schedules program and about half of the commercial item sales made to the government each year.

We support the Federal Government's efforts to ensure that agencies have the expertise internally to maintain control of their missions. These capabilities are absolutely essential from a national security and operational perspective. However, the Coalition believes that there is also an essential role for contractors to play in supporting the unique missions of the Federal Government. Commercial companies have specific knowledge and capabilities that the Federal Government should make use of for functions that are not inherently governmental rather than duplicating these efforts. The Government must ensure that it is investing in the most efficient and effective manner at a best value to the tax payer.

The Coalition believes strongly that in-sourcing should, in fact, not be the main driving goal of any policy in this arena. The over-arching goal, we believe, is to ensure proper management and oversight of any function of government, regardless of whether it is performed by contractors or government employees. The original discussions on in-sourcing were driven by this point and we are concerned that effective management and oversight may be lost in the shuffle as agencies seek to merely bring existing functions in-house.

Such actions serve no one well and may merely result in the continuance of functions that are no longer needed or should be re-focused to meet today's needs. We recommend that OFPP insert language into any guidance speaking to the importance of ensuring proper oversight of any function, regardless of who performs it. We also believe that much of what the draft guidance seeks to accomplish can be achieved via improved management and oversight, even if specific functions continue to be performed by contractors.

In short, in the vast majority of cases we believe that the question of who performs the work is inconsequential. We recommend that the following guidelines be used as some part of the in-sourcing deliberation process along with the question on whether or not a specific function is inherently governmental:

1. Is the function being performed still essential to the effective operation of the agency?
2. Are adequate resources available to manage and oversee the function in the agency, regardless of who performs it?
3. Does the agency have specific expertise to replicate the function, or is it better suited to managing a function performed by an outside contractor?
4. Does the agency have sufficient financial resources to hire, train and retain a sufficiently capable work-force for the function?
5. Can sufficiently trained personnel be found without conducting wholesale raids on contractor personnel?

While these questions are not meant to be exhaustive, they are vitally important to ask to ensure that the Government operates efficiently and effectively from any standpoint, not just one of in-sourcing.

The following are additional comments in response to the proposed policy letter:

1. In-sourcing Should NOT Be Quota-driven:

There is significant concern amongst vendors that some agencies will interpret the policy guidance from the Office of Federal Procurement Policy (OFPP) to

mean that a certain number of positions within the government should be filled by Federal employees. This is especially true for the Department of Defense, where it has been reported that specific quotas have been created. It should be clear to Federal managers that in-sourcing decisions should be made based on appropriate factors, such as available resources, sensitivity of the project or subject matter expertise. Specific percentage goals must actively be discouraged. A more strategic analysis should be used based on the input of the Office of Personnel Management (OPM). The OFPP should specifically state in the guidance that quotas are not the intended approach. We recommend that the OFPP take steps to monitor the issue over time.

2. Consider Long-term Costs of In-sourcing vs. Outsourcing and Efficiency

It is often assumed that in-sourcing is more cost effective than outsourcing. However, it is important for Federal agencies to consider the long-term costs of hiring Federal employees for specific projects at salaries and benefit levels competitive with the commercial market versus outsourcing projects. In addition, the Government should be aware of the added costs of certifications and training that will be required to keep the skills of these employees current, as is standard in the commercial market.

In addition to cost, the Federal Government should also consider the issue of efficiency and whether outsourcing specific projects is more time effective than initiating the Federal hiring process to get the work done.

3. Apply and Monitor Uniform Implementation across Agencies

The Coalition recommends that the OFPP take steps to ensure that the policy letter is being applied uniformly across Executive Departments and agencies beyond training on a bi-annual basis. OFPP should routinely collect relevant information pertaining to how specific agencies are implementing in-sourcing, in terms of the number of jobs and other data. This information would help the Government to identify best practices or lessons learned that can help to drive better management practices government-wide.

4. Exercise Extreme Caution on In-sourcing Tech Jobs

Innovation related to technology stems from the private sector. Commercial companies invest significantly in research and development facilities that are the source of new technologies in the global marketplace. The Federal Government should exercise extreme caution when considering in-sourcing technology jobs. The rush to in-source should not raid contractors of the expertise that they have invested in and developed over time. This has already happened based on dilatory tactics used by some government offices. Ironically, this means that the Federal Government receives the benefit of contractor-trained workers without having to pay for the investment. The loss

of private companies' high tech talent to the public sector will have the unintended consequence of hurting commercial market innovation in the long term.

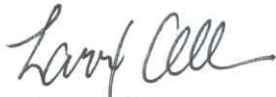
Before in-sourcing high tech jobs, agencies should look very carefully at whether the expertise is available in-house and if simply providing oversight of contractors would achieve the desired goal in a more cost effective manner, without harming the high tech industry. Technology is critical to the efficiency of the Federal Government overall and should not be subject to quotas about whether the high tech employee is a member of the public or private sector.

5. Small Business Concerns

The Coalition is concerned that a government-wide movement towards in-sourcing will lead to fewer contract opportunities for small businesses. These companies are already experiencing economic hardship. Small businesses are particularly vulnerable to lost opportunities as larger contractors seek to protect their own companies' jobs first with subcontractors being a subordinate concern. As a result, we feel that the harm from indiscriminate in-sourcing would fall especially hard on small businesses. In addition, it will also be difficult for small businesses to replace employees that could be hired by the Federal Government, especially if they have security clearances. Small business models work only if companies have the ability to recoup their investments over the life of a previously identified-and agreed upon-contracting project.

The Coalition for Government Procurement appreciates the opportunity to provide comments on the OFPP's proposed policy letter and would be pleased to discuss these issues further.

Regards,

A handwritten signature in black ink, appearing to read "Larry Allen", with a stylized, cursive script.

Larry Allen
President