

# Competitive Sourcing: The Top 6 Facts

*There is much misinformation surrounding the administration's competitive sourcing agenda. NTEU wants to clear up any misunderstandings about the administration's program and developed these Top 6 Facts to make clear the issues and the facts.*

## **Fact 1. Officials claim Competitive Sourcing saves money, but the reported savings are 'phantom and speculative'.**

The Office of Management and Budget (OMB) issues periodic reports claiming savings through the Competitive Sourcing program. Most recently, OMB claimed 'net savings or cost avoidances' of \$1.3 billion over the next five to 10 years from fiscal 2006 contracting efforts alone. But NTEU disputes the bogus savings figures. Here are some examples:

- None of the costs incurred prior to a public announcement of a competition are included when figuring the total costs of a competition. OMB claims that most competitions are completed within a year of public announcements. However, in many competitions, agencies spend months if not years preparing for the announcement, but OMB does not count this work toward the overall cost.
- None of the litigation costs are included. The Army Corps of Engineers IT competition, for example, discussed on page 12 of the OMB report, was the subject of lengthy litigation in federal court that was only just recently resolved through a settlement. Legal fees add substantially to overall costs, yet are not counted.
- Savings calculations are based on a simplistic and flawed formula. NTEU questions using a figure of \$97,000 per FTE in the case of IRS competitions, since most of these competitions involved lower-graded positions, with salary and benefits that fell well below OMB's average figure

## **Fact 2. The aim of Competitive Sourcing is to give work to contractors.**

This administration has taken very aggressive steps to ensure that the contractors are actively pursuing the work currently being performed by federal employees. Here are a few examples of its very methodical and aggressive actions:

- OMB established rules that require dramatic increases in the number of positions federal agencies open up to competition. For example, the number of IRS positions open to competition have soared dramatically, from 19,000 to 31,000—nearly one-third of the agency.
- When the winning bidder is chosen based on cost, federal employees almost always win. But OMB is encouraging agencies to choose a winner based on Best Value—a disingenuous term that favors contractors because the contract does not have to be awarded to the lowest bidder.
- Federal employees still do not have a fair process for appealing contracting decisions. Contractors can appeal to an independent third party; federal workers must rely on management to appeal to itself.

## **Fact 3. Competitive Sourcing brings major layoffs.**

The White House has relied on a University of Maryland study to support its claim that very few federal government employees are adversely impacted by a competitive sourcing study. The data used in that UMD study is old and pre-dates the aggressive actions this administration has taken to move thousands of federal government jobs through the competitive sourcing program. There is no current data that reliably reflects this administration's effort to move jobs to the private contractors. But what is undisputed is that when the agency decides to conduct a competitive sourcing study, hundreds and sometimes thousands of federal employees are immediately and adversely impacted by that decision, through downgrades, reassignments and early retirements.

#### **Fact 4. A contractor will bid low to win, then increase costs after contract award.**

Again, there is no reliable tracking of contractor performance and costs but there are plenty of examples of contractors failing to meet promised performance at the bid price. For example, the IRS mailroom contractor is unable to deliver the same level of services that had been required of the agency employees before they were RIFed and other IRS employees are taking up the slack because the mail must be delivered, even if the private contractor won't do it.

As another example, after receiving the contract to perform the services of the ADC Toll-free unit, the contractor informed the IRS that they would be unable to meet the requirements of the contract, at the price that they bid, without the agency paying for more contractor employees. IRS employees were called in to do the work the contractor couldn't.

#### **Fact 5. Competitive Sourcing is politically driven.**

While the origin of the rules for conducting public-private competitions date back 50 years, public-private competitions were rarely used by the agencies as a means to target federal government jobs. Earlier administrations supported other tools for change (e.g., re-engineering, business process improvement, and restructuring). This administration, however, came into office with a clear agenda of offering federal employee jobs for public-private competitions: established competitive sourcing as one of its top five initiatives, overhauled the rules of competition, set quotas for the number of jobs that had to be competed, and grades agencies on their efforts in conducting competitions.

#### **Fact 6. The federal contractor workforce is exploding.**

According to a recent report by Paul Light, a New York University professor who has issued several reports on federal contracting and the federal contractor workforce, the number of contractors working for the federal government now stands at 7.6 million employees which is four times the size of the federal workforce. In a single year, 2004 to 2005, government contract spending grew \$50 billion. Not only are contractors less accountable, the history of poor contractor oversight by federal agencies argues against turning over increasing amounts of federal work to private companies.

NTEU has long maintained that this administration uses contracting as a shell game to mask the true costs of government. Light seems to agree, suggesting that one administration goal in privatizing so much federal work is an effort to keep federal workforce numbers from appearing to grow. He warns that that's a dangerous step with both the administration and Congress paying a premium for their insistence on a relatively small civil service.

NTEU has called on agencies to take full advantage of legislative authority to compete work that has been contracted out to determine if it should be brought back in-house. However, few have moved in that direction thus far.

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NTEU is working to bring fairness and accountability to the entire competitive sourcing process from the compilation of the FAIR Act lists to ensuring the accountability of contractors. NTEU firmly believes that federal employees are the best value for taxpayers' dollars and they deserve a fair and level playing field on which to demonstrate their effectiveness and efficiency to the White House, Congress and the American public.