

RUSH!

9/21/87

Number 175

BY IMPEDING CONTRACTING OUT, CONGRESS FORCES THE PENTAGON TO WASTE MONEY

Three little-noticed amendments to the 1988 Defense Authorization Bill, now before the Senate, could slam the brakes on a reform effort that Defense Secretary Caspar Weinberger has praised as the Pentagon's "most successful cost saving program." He is referring to the Pentagon's contracting out of commercial services. In fiscal year 1985 alone, competitive contracting of hundreds of such routine functions as janitorial services, vehicle maintenance, and food service saved the Pentagon over \$500 million.

Given this impressive cost-cutting track record, it would seem that Congress would promote contracting out enthusiastically as a means of assuring that taxpayers receive the maximum bang for their defense dollars. Instead, lawmakers have erected roadblocks to discourage or forbid competitive service contracting. Since 1981 Congress has enacted over 25 separate restrictions on contracting out--exempting about 70 percent of all government commercial activities from competition. These private sector lock-outs have cost the federal treasury over \$4 billion in foregone budget savings, according to calculations by the General Accounting Office.

This year, legislators wish to lengthen further the list of contracting out prohibitions. Three contracting out restrictions were inserted into the House-passed version of the Defense Authorization Bill. Each will soon be debated in the Senate. These costly amendments are:

- 1) Preventing maintenance activities from being contracted out at most large military installations.
- 2) Prohibiting the contracting out of security services at all Pentagon facilities.
- 3) Transferring all authority for contracting out of military base activities from the hands of Pentagon budget examiners to the hundreds of individual base commanding officers.

Contracting out routine maintenance activities, such as vehicle repair, has been a common practice at the Pentagon for over two decades and has won the

consistent endorsements of Congress's two nonpartisan watchdog groups, the Congressional Budget Office and the General Accounting Office. They have found that average costs for such activities have been slashed by about 30 percent and that service quality has not diminished. There is no reason why this successful activity now should be banned.

Equally unwarranted is the proposed prohibition against using private security services. Such a ban would require stationing military guards at all Defense Department facilities, including libraries, museums, schools, and recreational centers. The Pentagon understandably points out that this would waste money and more important, military personnel whose talents could be employed more efficiently in the specialized activities for which they are trained. The Office of Management and Budget estimates that these two new contracting out impediments will inflate the cost of defense programs by at least \$150 million a year.

Worse yet, the amendment to place the contracting out decision in the hands of individual base commanders could bring Defense Department contracting to a crawl. Because the average tenure of a base commander is just slightly over two years, the private contractors would have little assurance of contract continuity. Congressman Charles Stenholm, the Texas Democrat, complains that this provision would lead to "abrupt [contracting] policy changes when commanding officers change." This uncertainty would dampen private sector interest in Defense Department contracting, thus shrinking cost reductions from competition. Past experience indicates, moreover, that base commanders, as with most federal managers, have no incentive to voluntarily scale down the workforce under their direct control.

Why would Congress even be considering turning back the clock on money-saving contracting out procedures? The principal motivation seems to be to protect the jobs of government service workers. Yet very few government workers lose jobs because of service contracts. In 1985 the General Accounting Office surveyed over 2,000 Defense Department employees who had been affected by contracting out and found that 97 percent were transferred to other government positions, went to work for the private contractor, or retired.

Congress's curious determination to destroy the Pentagon's contracting out program despite its universally acknowledged success at cutting costs only invites the kind of Pentagon waste that legislators claim to deplore. Outlawing competition in the provision of defense services is particularly unwise at a time when Congress is scaling back some vital defense programs. If lawmakers are sincere in their efforts to create a leaner, more efficient Pentagon, they could save up to \$2 billion by dropping all new Pentagon contracting out restrictions and relaxing existing ones.

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Stephen Moore, "How to Privatize Federal Services By Contracting Out," Heritage Foundation *Background* No. 494, March 13, 1986.

Congressional Budget Office, "Contracting Out: Potential For Reducing Federal Costs," June 1987.