

APPENDIX

STATEMENT OF AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES TO THE HOUSE ARMED SERVICES COMMITTEE CONCERNING ADVERSE EFFECTS OF CONTRACTING GOVERNMENT WORK TO PRIVATE BUSINESS

(Submitted by John A. McCart, director of legislation)

The interest of the American Federation of Government Employees in the Government's use of contractual agreements with private industry is twofold: (1) The need for safeguarding the interest of the Government in utilizing the most economical means of satisfying its needs; and (2) protecting the employment rights of Federal civil service employees who are needlessly displaced and who in so many instances are subjected to extreme hardship by the deprivation of their means of livelihood.

The organization is disturbed over the increasing practice of contracting with private interests for certain governmental services and activities which for many years have been provided by civil service employees. The policy of discontinuing Government services and facilities and having the same work done in private industry has caused the separation of thousands of career employees of the Government. In many instances it has occurred when those employees were unable to obtain employment elsewhere or at a time when they were economically unprepared for the ending of their services with the Government.

Such a policy wastes valuable skills and in some instances has resulted in a sizable loss to the Government of millions of dollars invested in special equipment or plant facilities which were peculiarly suited to their governmental use but which were not readily adaptable to other uses. It is a policy ostensibly intended to bring about savings, but which in many instances has increased the cost of national defense and of other services needed by the Government.

During the last several years this practice of contracting by the Government has been accelerated in compliance with the Bureau of the Budget Bulletin 60-2, dated September 21, 1959, which amplifies two earlier directives—Bureau of the Budget Bulletins No. 55-4 of January 15, 1955, and No. 57-7 of February 5, 1957. Those who have supported this policy have the viewpoint that the Government is needlessly competing with private enterprise when it provides a service or a product for its own benefit. It is our view that it is wrong to consider the Government as being in competition with private enterprise when it provides a service or does any work which superficially would seem to duplicate the same type of work done in industry.

We believe that the purpose of the service, the circumstances of its need and its existence should govern. True economizing does not necessarily consist of seeking the lowest price of a service or a product.

The general policy outlined in Bureau of the Budget Bulletin 60-2 is that the Federal Government is not to start or carry on any commercial-industrial activity if the product or service involved can be procured from private enterprise. Exceptions to this policy provide that Government operation may be continued where an activity cannot for reasons of national security be turned over to private industry or if procurement through commercial sources would involve higher costs.

We submit that national security is not always served by contracting and that in many instances the work can be done in a less costly manner if the Government were to use its own facilities and its own employees. Some work traditionally belongs in an establishment operated by the Government. While many private contracts have been substituted for governmental activities, numerous examples of Government disillusionment with private contracting have come to light.

Contracting has been erroneously believed to be economical and to afford services which the Government itself could not provide. This viewpoint is