

March 20, 2007

The Honorable John Murtha  
Chairman, House Defense Appropriations  
Subcommittee  
2423 Rayburn HOB  
Washington, DC 20005

The Honorable Daniel Inouye  
Chairman, Senate Defense Appropriations  
Subcommittee  
722 Hart SOB  
Washington, DC 20010

**RE: EXCLUDING RETIREMENT COSTS FROM THE CONTRACTING OUT COST COMPARISON  
PROCESS IN FY08 DEFENSE APPROPRIATIONS**

Dear Chairmen:

The undersigned unions appreciate your support for federal employees and your leadership in the fight against privatization. We ask for your leadership on an important issue of concern to federal employees in the Department of Defense (DoD), as you and your colleagues mark up the FY08 Defense Appropriations Bill.

The undersigned unions strongly urge you to add language to Section 8013, the contracting out cost comparison process, which would neutralize the impact of retirement benefits. Inclusion of such language would recognize that retirement benefits are a fixed cost for in-house bids because the cost is established by Congress. And it would ensure that civilian employees are not unfairly disadvantaged in the cost comparison process when contractors provide their employees with inferior retirement benefits. Instead of rewarding contractors for providing inferior retirement benefits, the cost comparison process would focus on who can deliver services more efficiently. Such an effort would follow the precedent established by the bipartisan provision included in the Defense Appropriations Bill since FY05 which neutralizes the impact of health care benefits in the contracting out cost comparison process.

Neutralizing the impact of retirement costs does not require contractors to provide retirement benefits for their employees, or to improve whatever retirement benefits they provide. Nor does this approach penalize contractors for using alternatives to defined benefit plans, whether 401(k) plans, individual savings accounts, or profit sharing plans.

The Department of Defense (DoD) is poised to dramatically increase the number of civilian employees to be reviewed for privatization at the same time it has become apparent that the OMB Circular A-76 process cannot be relied upon to save costs or improve quality. According to the Inspector General, "DoD had not effectively implemented a system to track and assess the cost of the performance of functions under the competitive sourcing program...The overall costs and the estimated savings of the competitive sourcing program may be either overstated or understated. In addition, legislators and government officials were not receiving reliable information to determine the costs and benefits of the competitive sourcing program and whether it is achieving the desired objectives and outcomes...DoD had not implemented a comprehensive system to track and assess the quality of contractor and (in-house) performance under the competitive sourcing program."

However, in order to comply with the Office of Management and Budget's numerical privatization quotas, the Department of the Army by itself will review for privatization an additional 45,234 civilian employees by the end of FY09. If the rest of DoD uses the same target as the Army, the number of non-Army civilian employees reviewed for privatization over the next three fiscal years would be 80,481.

At a time when millions of Americans are fearful for their economic security, now is no time for DoD to be allowed to ramp up a privatization process that will deprive even more working Americans of their retirement benefits and penalize civilian employees merely because they have retirement benefits. Excluding retirement costs is a fair compromise: contractors would not be required to provide the same level of benefits as DoD, but they would not gain an unfair advantage in the contracting out cost comparison process for failing to do so. That is why the undersigned unions urge you to include language in the FY08 Defense Appropriations Bill that would neutralize the impact of retirement benefits on the contracting out cost comparison process.

Sincerely,

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO  
AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, AFL-CIO  
AMERICAN FEDERATION OF TEACHERS, AFL-CIO  
ASSOCIATION OF CIVILIAN TECHNICIANS  
COMMUNICATION WORKERS OF AMERICA, AFL-CIO  
DEPARTMENT FOR PROFESSIONAL EMPLOYEES, AFL-CIO  
INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS, AFL-CIO  
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS, AFL-CIO  
INTERNATIONAL FEDERATION OF PROFESSIONAL AND TECHNICAL ENGINEERS, AFL-CIO  
METAL TRADES DEPARTMENT, AFL-CIO  
NATIONAL FEDERATION OF FEDERALEMPLOYEES, AFL-CIO  
PROFESSIONAL AIRWAYS SYSTEMS SPECIALISTS, AFL-CIO  
SERVICE EMPLOYEES INTERNATIONAL UNION  
TRANSIT WORKERS UNION, AFL-CIO  
UNITED AUTO WORKERS, AFL-CIO