

United States Senate

WASHINGTON, DC 20510

Friday, April 3, 2009

The Honorable Pete Geren
Secretary of the Army
101 Army Pentagon
Washington, DC 20310-0101

Dear Secretary Geren:

We write to you today to express our strong disappointment regarding the released OMB Circular A-76 Study, which was intended to review the operations, maintenance, and custodial duties at West Point. Furthermore, we write to inform you that we plan to sponsor an amendment to the Fiscal Year 2010 Defense Appropriations bill that would prevent the privatization review from being carried out. Congress and the President have expressed deep reservations with this process, and we encourage you to place an immediate hold on implementation of this and any other privatization studies until the process can be improved or replaced. Regardless, however, of the Defense Department's (DOD) stance on the larger question of A-76 studies, we believe that the serious concerns raised by West Point's union warrant reversal of the decision to contract out the long-held jobs of government employees. With the fate of hundreds of jobs at stake, we ask that you abstain from carrying out the recommendations of this study until the accuracy questions of this and other Circular A-76 studies have been addressed.

The Office of Management and Budget (OMB) established this type of study to ensure that the government does not waste taxpayers' money by paying government employees to perform tasks which could be completed at a lower cost by private contractors. We support the goal of saving taxpayer dollars, but we are concerned by mounting evidence that the process unfairly disadvantages federal employees and fails to actually save any money. After studies by the Government Accountability Office, Congress acted in the Fiscal Year 2009 Omnibus Appropriations bill to curtail the A-76 process. President Obama, too, has issued an executive order to stop new A-76 studies. With such serious reservations at the highest levels of government, we believe that the responsible course of action would be to refrain from implementing any A-76 studies.

The study released last week at West Point has several serious flaws. First, the process compares different price structures, making it impossible to evaluate accurately which is the lower cost. For federal employees, the study estimates the total cost to the Army of performing the work. However, when soliciting bids from private contractors, the Army is asking for "cost plus firm fixed fee" contract. These contracts allow for variable costs.

which cannot be accurately compared to the fixed cost used for continuing with federal employees.

Second, the Army changed the requirements for the union halfway through the study. Originally, the Army allowed the union to combine the operations/maintenance and custodial responsibilities into a single bid, which allowed them to achieve economies of scale. Halfway through the process, Army required the union to separate these two contracts, but did not allow them to begin the process over.

Given the serious concerns related to this study in particular, we will be moving forward with an amendment to the FY2010 Defense Appropriations bill with the intention of preventing this review from being carried out. Millions of taxpayer dollars and hundreds of jobs are at stake, and we cannot afford to risk disregarding either by engaging in an inaccurate and unfair process. Again, we urge you to refrain from implementing the West Point A-76 study.

Thank you for your prompt attention to this matter. If you have any questions, please do not hesitate to contact John Jones, of Senator Schumer's staff, at (202) 224-6542, Kevin Fink, of Senator Gillibrand's staff, at (202) 224-4451.

Sincerely,



Charles E. Schumer



Kirsten E. Gillibrand