

**Testimony of Eric Holcomb on behalf of
U.S. Rep. John Hostettler**

Commercial Activities Panel

August 8, 2001

On behalf of Congressman John Hostettler of Indiana, I would like to welcome you and tell you how much he appreciates your service. Congressman Hostettler is currently in Korea observing military operations or he would have been here himself. However, the Congressman prepared in advance the following statement:

"I apologize for my not being with you today. If it were not for my deep concern over the state of our military personnel and forces that are forward deployed in the Pacific, and the fact that my trip to this region had been scheduled for quite some time, I would be with you today.

What you are working on today is of critical importance. If we are going to maintain the very best return to the American taxpayers, then we must manage our government services and assets to the best of our ability. And we must, from time to time, examine whether our management practices have kept pace with our changing world.

As you know, for many years we have struggled with the issue of public versus private operation of government services. This is as true in the Department of Defense as it is in all areas of our government. And as a Member of the House Armed Services Committee, I take a special interest in this topic.

I would like to focus my remarks on the use of the management tool outlined in the Office of Management and Budget Circular A-76. There are some good aspects to the A-76 process. We all want the best products and services at the best cost. The goals of the A-76 process are to bring this about. And sometimes it does.

But today I would like to call your attention to one particular drawback of the A-76 process. To me, the A-76 process very often unduly removes the judgment and expertise of those most close to the question: the local activity. Decisions are made by dictates from Washington, not the prevailing local wisdom. I believe that such control from Washington about what to study for outsourcing, while well intentioned, is not the best way to go about managing the federal workforce.

Let me give you a case on point. In March of 1998, the Crane Naval Surface Warfare Center, located about an hour Southwest of here, began a process to review and examine its core competencies and the demographics of its work force.

Seizing this opportunity and seeing the merit of Crane's approach, the Navy designated Crane as a pilot activity to pursue Business and Process Reengineering – a fancy phrase for managing its own workforce. Crane –by watching the trends in its workforce such as upcoming retirements, etc., outsourcing strategically in view of Crane's mission, and working in partnership with the local AFGE, reduced costs by an average of 27%.

The success of this pilot project laid the foundation for what is now known as the Navy Strategic Sourcing program. This program is predicated on a broader, more holistic approach, to achieve savings and optimize mission. It relies upon the judgment of those closest to the problem, not folks in Washington, DC.

Let me conclude. The A-76 process, standing alone, appears to do little to enable an organization to perform its mission more efficiently. To be effective, the A-76 process must be utilized as a subset of a broader management approach -- an approach which considers the mission of the facility, the particular workforce characteristics, and the expertise of the local commander.

I believe that the Navy Strategic Sourcing program is on the right track. I have seen it work at the Crane Division of the Naval Sea Systems Command. I believe that it is to management programs like Strategic Sourcing that the A-76 process must begin to complement rather than dictate. I urge you to consider this as you deliberate in this area. Again, thank you for your service."