

Competitive Sourcing in Our National Parks

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It is widely thought that competitive sourcing is the same as privatization. This is nothing more than a myth. Competitive sourcing is nothing more than a process to determine the most efficient and effective “source” to deliver services. Not only are government employees given the opportunity to bid on the competitions, they win an overwhelming majority of them.

In addition, regardless of who wins the competition the government maintains control and oversight of operations. Furthermore, the result of the competition sets a higher bar, making government root out its inefficient and ineffective practices. This “working leaner” results in service improvement and savings—over \$2.6 billion in the last two years alone! Decisions to move forward with a competition are founded purely on good management principles that date back to the Eisenhower administration.

The following is based on written testimony presented by the author in 2003 to the U.S. Senate Energy and Natural Resources Committee, Subcommittee on National Parks.

Recently the management of the National Park Service (NPS) has been under a microscope. A series of financial lapses and a multi-billion dollar backlog of maintenance and other work signal weak standards and general mismanagement. For example, “in 1997, the NPS inspector general reported that officials at Yosemite used taxpayer money to build 19 staff homes for \$584,000 each—and in 2001, the General Accounting Office (GAO) acknowledged recent NPS efforts to overcome this troubled legacy but concluded that efforts had fallen short in several significant areas.”¹

Additionally, park users themselves have noticed the poor condition of many of our national parks. In a recent question-and-answer session with Interior Secretary Gale Norton,² two separate questions were posed to her regarding the condition of national parks or the facilities that service the parks:

- *Commenter from Washington, D.C.:* “The last time I visited several well-known national parks in the West, the roads were in very poor shape with potholes, no shoulders for bicyclists, hard-

to-read signs, and inadequate places to pull over to see park features. Is fixing the roads in the parks part of the backlog your report talks about?”

- *Commenter from New York, N.Y.*: “Our national parks are in a bad state, with backlogs and dilapidated facilities.”

These reports and observations cannot go unnoticed. Our national parks are the hallmark of what makes America a great nation. For too long, however, they have suffered from mismanagement as maintenance and much-needed upgrades and additions have gone unfinished. The President’s Management Agenda (PMA) is a set of initiatives designed to improve the management of federal agencies by adopting performance-based criteria for decision-making and action. Competition or competitive sourcing is a major component of the PMA, which simply means a systematic effort to have commercial activities in the federal government periodically go through a process of competition.

The competitive sourcing initiative forces agencies to put their fingers on their own pulse. It provides a framework by which agencies examine whether they have the right skill sets, technologies, and organization structure to provide Americans the best possible service—service that is effective and efficient. Through the initiative, agencies review certain tasks and activities, evaluating whether they can re-engineer the work to improve service quality, and contrasting the status quo and the re-engineered option with what a private firm, or, potentially, even what a state or local government might charge to perform the same work. The bottom line is that these evaluations are used to determine and provide the best value to citizens.

Competitive sourcing has two off-overlooked related benefits. First, it allows agencies to refocus on core functions and mission-critical activities. Second, it helps them address their human capital management. Essentially, it enables federal managers to rethink the structure of their workforce.

The federal government human capital management challenges have been well documented—while not as severe as originally thought, the problem continues to persist. Competitive sourcing provides a unique opportunity to agencies in managing the structure of the workforce. Put simply, incorporating competitive sourcing into the broader context of human capital challenges creates linkages and improves flexibility. Agencies could, as needed, move existing staff between agencies or within the agency to activities considered core or mission-critical. Competitive sourcing is a means of tapping new sources of human capital to meet current service needs. Indeed, competitive sourcing is fundamentally about accessing new pools of talent.

Essentially, competitive sourcing is a tool that redeploys human capital. A common misconception about competitive sourcing is that it leads to layoffs and to loss of pay and benefits for workers. But a long line of research shows that in fact the majority of employees are hired by contractors or shift to other jobs in government while only 5–7% are laid off.³ In fact, competition leads one portion of existing human capital to join with the new human capital the contractor brings to the table, and either or both may be utilized in new ways to meet the goals of the government agency. Private contractors are more able to cross-train and develop workers to meet human capital needs.⁴ At the same time, the government agency can redeploy many workers who did

not switch employment to the private contractor and can retrain and reposition them to meet other human capital challenges. Agencies already do have tools that have assisted them with human capital issues in the past, and these remain promising tools for the future—especially with moving resources and personnel around. The Office of Personnel Management mandates that agencies prepare both a career transition assistance plan (CTAP) and interagency career transition assistance plan (ICTAP) when a reduction in force (RIF) [i.e., a layoff] is expected or when an activity is being competitively sourced. These programs give managers an additional tool to fill needs and strategically focus on service delivery.

Competitive sourcing creates three opportunities for meeting human capital challenges. First, it is a means of bringing in private-sector human capital to meet government service needs. Second, if competitive sourcing displaces some government workers, they can be redeployed and retrained to meet yet other human capital challenges. Third, it changes the way existing human capital is utilized.

With this said, competitive sourcing is not new to NPS. In fact, in 1998 NPS was ordered to contract with private architectural-engineering firms for 90% of its design work and required that all construction oversight be handled by private firms. Additionally, House Report 105-163 directed the NPS “to continue to increase its contracting of commercial activities, with a goal of divesting itself of such activities by the end of fiscal year 1999.” Furthermore, the report stated that “when services or products of equal quality and cost are available from the private sector, the [NPS] should use the private sector.”

Additionally, the NPS parent department has used competitive sourcing very systematically and effectively. NPS can learn and use this approach. For example, from the start, the Department of the Interior worked with the unions and kept costs down. Furthermore, transition strategies were identified for affected employees. And while more than 1,800 positions have been subjected to competition, not a single employee was left without a job. In fact, the employee bid has won more times than the private bidder. Additionally, in an effort to mitigate impacts in one area, competitions have been balanced; they have been targeted to different locations and different pay grades.

So what does all this mean? How can NPS benefit from implementing a competitive sourcing plan? There is overwhelming evidence that competitive sourcing saves significant money.⁵ While studies show that the average savings are 30%, let us assume that this is off by a margin of 50% and that savings are truly only 15%. Of 16,000 NPS employees, only 2,200 positions have been identified as commercial in nature. Subjecting only 20% of those positions to competition would result in savings of \$6.6 million in the first year alone (assuming that NPS spends \$100,000 on the average position, which is total NPS spending on a per-FTE [full-time equivalent—that is, a full-time position] basis). These savings may seem small, but this represents only NPS’s competitive sourcing efforts. The savings are much, much higher if you incorporate the entire Department of Interior competitive sourcing plan.

With that said, though, these savings translate into the treatment of over 40,000 *additional* acres of public lands deemed in danger of catastrophic wildfire; or \$6.6 mil-

lion dollars of *additional* maintenance, reducing the backlog plaguing our national parks; or allowing for more funds to be transferred into cleaning *additional* acres of wetlands or degraded lands in our nation's parks; or best yet, allowing for *free admission* to popular national parks such as Yellowstone, Yosemite, Glacier, Everglades, or the Statue of Liberty.

If this committee wants to assume that direct federal provision is the most efficient, it must fully understand what the tradeoff is, and the costs associated with it. In this case, competitive sourcing provides the opportunity for NPS to better achieve its agency's mission and goals: enhancing and ensuring environmental protection (wetland and degraded land cleanup); providing for public enjoyment of recreational facilities (maintenance of facilities); and ensuring public safety (wildland fire program). Again, even if we're wrong about the 30% and savings are only 15%, this is better for the American taxpayer.

Some opponents of competitive sourcing insist that our national parks are special, and that they should be shielded from competition. However, several states and provinces in Canada have long used competitive sourcing and the private sector to provide services in their respective park systems. In fact, according to the Council of State Governments, parks departments that were surveyed "were more likely than other [executive] agencies to expand [competitive sourcing] in the past five years."⁶ Reasons for seeking competitive sourcing were reduced costs, additional personnel, and greater expertise. Respondents also expect the trend to continue for the next five years, with almost three-quarters of the respondents stating that they expect to use competitive sourcing "more frequently in the

coming years, and most others will maintain current levels."⁷

Of those agencies that had subjected services to competition, "a large portion ... are saving more than 15 percent of their budgets through competitive sourcing."⁸ This evidence further justifies the claims of *at least* 15% savings from competitive sourcing. Many services that would be competitively sourced by NPS already had been by the states. Those services include construction, maintenance and janitorial services, operation of individual parks, custodial services, security services, vehicle maintenance, and recreational programs and services.

While several states and many cities in the United States have successfully used competitive sourcing and privatization at state and local parks, some of the most interesting examples are efforts of Canadian provincial park systems. Note that Canada's park systems have faced budget pressures even more severe than those plaguing park systems in the United States. Following are some examples from both countries.

Alaska. Beginning in the 1990s, Alaska State Parks began contracting out the operation of a small number of campgrounds.⁹ Currently the department contracts out seven small and isolated parks. Because of their isolation, the parks were costly (relative to revenues) for the department to maintain. Contract lengths are short, running from one to five years. In return for meeting maintenance standards, operators keep the camping fees and have their commercial use permit fee waived. Indicative of the department's satisfaction with contracting out, Alaska Parks is currently proceeding with a plan to contract out the operation of a "top-flight" park, Eagle River.

British Columbia. In 1988, B.C. Parks

began using private-sector contractors to operate its parks; by 1992, the department contracted out 100% of park maintenance and operations. In fiscal year 1998, visitor satisfaction was high: 81% of visitors rated park facilities and services as “excellent” or “above average.” The department has also realized substantial savings, estimated at 20% on average.¹⁰

Alberta. In 1997, Alberta decided to expand its already extensive use of private-sector operators for its park and recreational facilities. During earlier budget reductions, the agency used competitive sourcing to withstand cuts, while at the same time actually increasing the size of its recreation and protected areas network. Utilizing a new management strategy that is eerily similar to the NPS core goals (preservation, heritage appreciation, outdoor recreation and tourism), despite seeing its budget reduced by \$11 million over a four-year period and another \$6 million two years later the department added 34 undeveloped sites to the network over a 25-month period beginning in March 1995. This was primarily achieved through the use of competitive sourcing.

The department enlisted private operators in those program areas where they are firmly established. Doing so helps free department resources from routine operational and maintenance duties, allowing them to focus more on planning and managing protected landscapes and resources inventory, delivering heritage appreciation and environmental education, managing contracts and partnerships, and coordinating volunteer efforts.¹¹

Despite the benefits of competitive sourcing there remain skepticism and objections to the initiatives. Some of the more common objections include the following.

NPS is inherently governmental, and should be shielded from competition. Ultimately NPS will determine what activities within the agency are commercial in nature, what could be subjected to competition, and what actually will be competitively sourced. It will determine this based upon the FAIR (Federal Activities Inventory Reform) Act and an analysis of its workforce without compromising the core mission of agency. Prohibiting NPS from studying its workforce and determining where efficiencies can be achieved will only hamstring the agency and prevent it from achieving its goals.

Competitive sourcing also enables the agency to better focus on its mission. The agency can and should focus resources on mission-critical activities and utilize contractors where possible, especially for service positions such as lifeguards, janitors, maintenance workers, computer technicians, and ticket takers.

NPS diversity will suffer. For starters, competitions can be targeted at locations that don't have diversity issues. Two other issues come to mind too; first, contractors that win competitions will rely on local labor markets to fill positions. Thus, diversity goals will likely be met regardless of who is providing the service. Secondly, NPS can use competitive sourcing to further its diversity goals by identifying competitions and contractors that will advance its policy. Additionally, diversity concerns assume that the contractors will violate civil rights laws or that minority workers cannot compete with whites and must be sheltered by an undemanding civil service code.

No cost savings will be achieved. The Department of Defense (DoD) has the greatest amount of experience in competitive sourcing of all U.S. agencies. Between

1978 and 1994 over 3,500 competitions were initiated by DoD involving 145,000 personnel. The competitions resulted in an estimated annual savings of \$1.46 billion (fiscal year 1996 dollars).¹² Had the DoD competitively sourced the entire inventory of eligible positions— over 13,000 functions employing over 380,000 personnel— competitions would have generated \$7.58 billion in annual savings.¹³

The data show an average savings of 31% of the baseline cost,¹⁴ and that a majority of competitions remained in-house. However, it also shows that DoD strategically used resources in the most effective and productive manner by subjecting positions to competition. DoD was able to focus more on core functions after resources were freed up from outsourcing. Even if forecasts of savings are wrong by a margin of 50% (i.e., savings only equal 15%), those are still significant savings. As taxpayers, we should not automatically assume that federal employees are as efficient as they could be. Without even the threat of competition, agencies can grow stale and inefficient, as evidenced in 2002. That year, the Office of Management and Budget (OMB) decided to use competition in response to poor performance by the Government Printing Office (GPO) and opened the job of printing the fiscal 2004 federal budget to competitive bidding. Simply indicating that the agency would be required to compete, i.e., OMB no longer assumed that it was as efficient as it could be, the GPO turned in a bid that was almost 24% lower than its price from the previous year. That was \$100,000 a year that GPO could have saved taxpayers any time it chose, but it never chose to do so until it was forced to compete.

There will be negative impact on rural communities. There are real concerns that

competitions will lead to work being taken out of local communities, especially rural ones. However, the projects NPS will be competitively sourcing are mostly small competitions where the work cannot be transferred away from the locations. Put simply, maintenance activities cannot be removed from the locations. Additionally, large companies such as Bechtel will not be competing for these jobs. If the in-house team does not win the competition, the winners are actually likely to come from the local communities serving the location. Thus, economic activity will increase, not decrease. Additionally, private companies pay taxes while government doesn't, creating additional economic activity for local rural communities.

The American taxpayer and park visitors deserve the best services possible. Competitive sourcing gives NPS an opportunity to improve its efficiency, tackle its massive maintenance backlog, and focus its resources and energy on its core functions. Ultimately, competitive sourcing can improve the quality and efficiency of our national park system—in many regards the crown jewel of America. While there are associated upfront costs, the demonstrated savings are significant and competitions pay for themselves many times over.

Competitive sourcing gives NPS a valuable opportunity to focus on the agency's mission and goals of enhancing environmental protection, ensuring the availability and enjoyment of recreational facilities, and providing for public safety. Again, the goal should be about improving the service that is provided to the American taxpayer, both in terms of quality of service, but also in terms of cost. Can we assume that federal employees are the most efficient and effective given the backlog of maintenance work

and past mismanagement issues? We must fully understand what the tradeoff and resulting costs are in stifling the NPS com-

petitive sourcing initiative. In this case, it is mandating inefficient management and lesser-quality parks for the American taxpayer.

Endnotes

1. Ronald D. Utt, "House Appropriators Undermine the President's Competitive Contracting Program," Heritage Foundation Executive Memorandum no. 890, 7 July 2003.
2. Webcast on WashingtonPost.com.
3. Robin Johnson, *Privatization and Layoffs: The Real Story*, Reason Public Policy Institute E-brief no. 112, (Los Angeles: Reason Foundation, 2001); on-line at www.rppi.org/ebrief112.html. Moreover, research by the Government Accounting Office (GAO) shows that as many employees saw increases in pay and benefits as saw cuts after going to work for contractors. General Accounting Office, *DoD Competitive Sourcing: Effects of A-76 Studies on Federal Employees' Employment, Pay, and Benefits Vary*, GAO 01-388 (Washington, D.C.: GAO, 2001).
4. Research shows that privatization tends to lead to more investment in education and human capital development in workers. See Mike Wright, Robert E. Hoskisson, Igor Filatotchev, and Trevor Buck, "Revitalizing Privatized Russian Enterprises," *Academy of Management Executive* 12:2 (1998), 74-85; and Yuming Fu and Stuart Gabriel, "Location, Market Segmentation, and Returns to Human Capital: The Privatization of China's Labor Markets," paper presented at the Annual Meetings of the American Real Estate and Urban Economics Association, Boston, January 2000.
5. The General Accounting Office and the Center for Naval Analysis have found significant savings, averaging 30%, from competitive sourcing.
6. Keon Chi and Cindy Jasper, *Private Practices: A Review of Privatization in State Government* (Lexington, Ky.: Council of State Governments, 1998), 40-41.
7. Ibid.
8. Ibid.
9. The information that follows is from Pete Panarese, chief of operations, Alaska State Parks; and from a phone conversation with Jeff Hanson, Washington Policy Center, September 7, 1999.
10. Jeff Hanson, "Privatization Opportunities for Washington State Parks," Washington Policy Center brief, January 2000; on-line at www.wips.org/ConOutPrivatization/PBHansonCOStateParksPrivatize.html.
11. Alberta Environmental Protection, Natural Resources Service, "Completing the Puzzle: Building a Recreation and Protected Areas Network for the Next Century," executive summary, May 1997, 14-15. On-line at www.gov.ab.ca/env/parks/strategy/summary.html. See also Hanson, "Privatization Opportunities for Washington State Parks."
12. Christopher M. Snyder, Robert P. Trost, and R. Derek Trunkey, "Reducing Government Spending with Privatization Competitions: A Study of the Department of Defense Experience," George Washington University Working Paper, 2000.

13. Ibid.

14. Ibid.

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