



Position Statement on Unfair Government Competition

ACIL is the trade association representing commercial scientific, engineering and testing firms. The companies that comprise this \$11 billion industry offer a broad range of laboratory, testing, inspection, research and consulting services.

Clients look to independent testing firms for several reasons: as a source for objective data, free from bias; for specialized services not available in-house; and to support a product's claims. Almost daily, million-dollar decisions are made based on the data independent laboratories produce.

ACIL supports competition. Competition drives innovation, creates jobs and diversifies our economy. The playing field for competition must be fair, however. Competition that comes from government and government-supported entities presents a serious obstacle to the fair and legitimate pursuit of business.

ACIL believes that government should limit its activities to inherently governmental functions and those core capabilities that are absolutely essential to protect and preserve the health, safety and well being of its citizens. It should not attempt to be a primary provider of services that duplicate those offered in the private sector.

For businesses of all types, the problem of unfair competition is growing from direct government sources at all levels and indirect competition from organizations supported by federal funds, and other regulatory preferences. Indeed, unfair competition by government was among the top issues of concern at the White House Conferences on Small Business in 1980, 1986, and 1995. As the federal budget is cut and government "downsizes," pressure is increasing for government agencies to reduce contractor support to preserve federal jobs.

Study after study, from sources as diverse as the GAO, OMB and innumerable think tanks, have shown that competitively outsourcing that Federal Government's commercial activities to private firms saves the tax payer an average of 40%.

Direct government competition comes from several sources: federal, state and county or municipal agencies, which directly compete with private laboratories. Some examples:

- Federal laboratories, originally established to conduct basic research for U.S. defense and energy, are struggling to define their roles in a changed global environment and downsized federal government. Under the banner of "technology transfer" or other goals, they promote commercial services in sophisticated marketing materials mailed at preferential postal rates and performed by government employees on equipment and in facilities purchased with tax dollars. Many of these testing services are commercial in nature, not R&D scientific efforts.
- In state laboratories, testing programs designed to monitor environmental compliance or assure food safety now offer a full range of analytical services, often for a fee.

- Municipal and county laboratories routinely offer commercial drinking water and wastewater testing and monitoring services, again with personnel, equipment and facilities paid for with tax dollars. Small laboratories, especially, object to such direct competition subsidized by their local taxes.
- Testing by local and state transportation departments on highways and structures in direct competition with private laboratories is commonplace.

Further, many of these government agencies are exempt from the accreditation and certification requirements demanded of private sector firms. The cost of becoming accredited puts private testing firms at an additional economic disadvantage. More important is the implication for public health and safety, since accreditation is widely accepted as a means for measuring a laboratory's competence and assuring data quality. No laboratory should be exempt from such quality assurance and control measures.

Accordingly, ACIL continues its historic commitment to combat unfair competition by government agencies. In its pursuit of a level playing field, ACIL is:

- Advocating a comprehensive strategy to advance privatization, or contracting out, of government services as a partial solution to direct government competition.
- Participation with the Coalition for Outsourcing & Privatization (COP) and the U.S. Chamber of Commerce's Procurement and Privatization Council and other organizations to seek broad legislative action in expanding the benefits provided by outsourcing and privatization to all citizens.
- Cooperating with the Chief Counsel for Advocacy at the Small Business Administration to implement recommendations made at the White House Conference on Small Business to deal with unfair competition.
- Challenging specific examples of abuses by government agencies in keeping with the Federal Activities Inventory Act (FAIR).

The new Congress has initiated action on a number of fronts to deal with perceived abuses by government agencies. Thus far, these initiatives have not addressed the fundamental unfairness of government agencies using tax-paid positions to provide commercial services in competition with the private sector. It is ACIL's goal, in cooperation with others, to push for meaningful reforms for a more efficient and effective government--government better able to serve the American public by not competing with private businesses.