



**cnsnews.com**  
THE RIGHT NEWS. RIGHT NOW.™

## How Can Gov't Start Getting Best Bang for Public's Buck?

Dan Mitchell

May 23, 2018

Conservative policymakers are all-too-familiar with the problems associated with government contractors ripping off taxpayers. Look no further than the \$464 million [Healthcare.gov website](#) that became an \$824 million boondoggle, or Orlando's \$250 million Veterans Affairs hospital that doubled in cost to see that cost overruns is often the major consequence.

Not surprisingly, Chris Edwards and Nicole Kaeding at the Cato Institute's [DownsizingGovernment.org](#) found that this is a pervasive problem with government bureaucracies and not specific to the United States. They cite Danish Professor Bent Flyvbjerg, who in his book "Megaprojects and Risk" found that 90 percent of the 258 transportation projects he studied across the world went overbudget. Similarly, Oxford University found that 245 government dam projects from over 5 dozen countries clocked in at over 96 percent higher than expected.

Edwards and Kaeding recommend increased transparency in major contracting and decentralization, among other things, to fight cost overruns, but never will government planners succeed at streamlining operations as well as the private sector. Everyone who observes government understands this. That's why privatization remains one of the most needed government reforms, as government officials lack the "skin in the game" necessary to be truly fiscally responsible with taxpayer's dollars.

In the short term, though, the least that government officials can do is make an effort to right the ship by making sure vendors fulfill their contractual obligations, and to impose severe consequences to firms that win bids but don't deliver.

A first test case could be with NASA. As detailed in last Thursday's House Committee on Science, Space, and Technology hearing, NASA will "pay \$400 million more for its second round of delivery contracts from 2020 to 2024 even though the agency will be moving six fewer tons of cargo." This 14 percent increase is in large part due to a 50 percent price hike from SpaceX.

It looks like SpaceX is blaming the new price increases on its growing understanding of the economics of cargo re-supply in space. This is a fancy way of saying that they promised far more than they appear able to deliver, and taxpayers will suffer as a result.

In other words, yet another government-dependent company has underperformed and now wants to charge more. Given the sorry track record of government contracting, that's hardly a stop-the-presses revelation.

But surely we should ask why the government agrees to deals where contractors can get away with receiving far more money than originally promised?

Elon Musk's company has also been rather accident prone, with several high-profile mission failures occurring at significant cost to taxpayers. Many free marketers have been willing to overlook this because SpaceX is said to offer lower costs than its competitors and put downward pressure on the market. In that spirit, it is now SpaceX's competitors who seem to be lowering prices while its own costs skyrocket.

But if SpaceX – or any government contractor, for that matter – is permitted to change its terms, so too should NASA. For instance, NASA could begin determining the feasibility of giving some of SpaceX's work on the second round of cargo resupply to contractors such as Sierra Nevada, the United Launch Alliance, and Orbital ATK, the latter of which recently cut its prices by 15 percent.

If the government is going to be in the space business, money shouldn't be squandered. And that means holding all contractors to strict conditions that are open to public examination. It's time that companies deliver what they promise for the price in the original contract.

As NASA's William Gerstenmaier said at Thursday's hearing, "If we can set ourselves up in the future for future contracts and other activities where there's good competition, then that allows us to put some pressure on the commercial sector and the private sector to lower costs and still give us the services we need going forward."

Hopefully the agency walks the walk as good as it talks the talk because responsible stewardship of taxpayer's dollars requires accountability. Those handing out federal contracts should constantly reassess whether they are getting the best bang for the public's buck. It is what taxpayers deserve.