



05 - 0558

DATE: January 11, 2005

TO: The Honorable Tim Pawlenty
Minnesota Governor
Dana B. Badgerow

FROM: Dana B. Badgerow
Commissioner

SUBJECT: Summary and Report Regarding Foreign Outsourcing

Executive Order 04-02 requires that "on or before December 31, 2004, and annually thereafter, the Commissioner of Administration will summarize and report to the Governor regarding the use of workers in foreign countries to provide services under state contracts, including information regarding:

- a. the number and nature of vendor proposals that propose the use or subcontracting of workers in foreign countries to perform services under state contract;
- b. the number and nature of contracts awarded to vendors that use or subcontract the use of workers in foreign countries to perform services under state contracts;
- c. any estimates or other conclusions that the Commissioner can reasonably draw regarding the comparative costs of contracts employing workers in the United States versus those using foreign workers."

Rather than reporting on or before December 31, 2004, I have taken the liberty of reporting on the first six months of data collection through December 31, 2004. The resulting report is attached. You will note that no state contract work involving the use of foreign workers has been awarded since we began collecting the data.

If you have related questions, please contact Kent Allin, Materials Management Director, at 296.1442 or kent.allin@state.mn.us.

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Summary and Report Regarding Foreign Outsourcing Pursuant to Executive Order 04-02

As of July, the Department of Administration began receiving data regarding the use of workers in foreign countries to provide services under state contracts, as reported by state agencies.

Professional/technical contracts:

As of December 31, 2004, the Department of Administration has received data from 476 professional/technical state contracts that were executed since the executive order.

Of the 476 contracts:

- Only one contract has received a proposal including the use of workers in a foreign country
 - The Iron Range Resources & Rehabilitation Board received three proposals for a contract proposing an economic and fiscal impact study for Giants Ridge Golf & Ski Resort. One of the three proposals included foreign work. The contract was ultimately awarded to a company that would perform the work solely within the state of Minnesota and at a lower cost than that of the company proposing foreign work. (Please see attached report for more specific contract proposal information)
- 374 contracts were awarded to vendors that will perform the work solely in the state of Minnesota
- 15 contracts were awarded to vendors that will perform the work solely in another state within the United States.
- 87 contracts were awarded to vendors that will perform part of the work within Minnesota and the rest of the work in another state within the U.S.

General service contracts:

Unlike many professional/technical (intellectual) service contracts, most general service contracts must, by their nature, be performed on-site. Examples include janitorial, snow removal, grounds maintenance, equipment installation and/or repair, etc. Here, purchasing staff members are required to determine whether foreign outsourcing is even an option. If it is, they require responding vendors to provide the information listed in the executive order.

As of December 31, 2004, only one vendor response to a general services solicitation proposed the use of workers in foreign countries. It was a long distance telecom provider who noted that foreign operators would be involved in some international calls. Because this would be true for other providers' international calls as well and did not involve a choice between the use of foreign and American workers, it was viewed as scrupulous reporting and not foreign outsourcing. Consequently, no contracts were awarded during the reporting period that will use foreign workers except for long-distance operators.

Conclusions to date:

From the data that has been received thus far, it is still too early to draw any conclusions as to the comparative cost of employing workers in the United States as opposed to workers in foreign countries. The only pattern that is evident thus far is that very few companies propose work to be performed in a foreign country.

Department: Iron Range Resources
Contract Title: Giants Ridge Master Plan

Description of Work: Perform an economic and fiscal impact study for Giants Ridge Golf & Ski Resort

Responders to RFP: listed below

<u>Company Name</u>	<u>Total Contract \$</u>	<u>\$ Amt. Performed in foreign country</u>	<u>Country</u>	<u>Prime or Sub</u>	<u>Awarded Contract</u>
1. Collaborative Design Group	\$22,650	\$0			No
2. Short Elliott Hendrickson	\$41,540	\$0			Yes
3. Ecosign	\$239,000	\$222,000	Canada	Subcontractor	No

If awarded vendor proposes all domestic services, the services will be performed in: Minnesota Only