



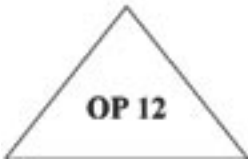
# Public War, Private Fight? The United States and Private Military Companies

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Deborah C. Kidwell



Combat Studies Institute Press  
Fort Leavenworth, Kansas



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## Foreword

Like the other monographs in the Combat Studies Institute's Global War on Terrorism Occasional Paper series, *Public War, Private Fight? The United States and Private Military Companies* provides another case study for use by modern military leaders to help them prepare themselves and their soldiers for operations in the current conflict. This work examines the widespread use of contractors by the military to help fill the massive and complex logistical requirements of a modern military force. Ms. Kidwell examines the use of Private Military Companies (PMC) as far back as the American Revolution and follows their evolution through the War with Mexico, the Civil War, the Spanish-American War, and the first Gulf War. She then analyzes the use of PMCs in Operation ENDURING FREEDOM and Operation IRAQI FREEDOM. Ms. Kidwell concludes that PMCs will be an increasingly important facet of US military operations for the foreseeable future; however, the use of contractors on the battlefield is not a panacea for all logistics problems. Logisticians, contractors, and military leaders who have responsibility for such operations in the current conflict against terror will gain useful insights to the advantages and disadvantages of these combat multipliers after reading this Occasional Paper.

Timothy R. Reese  
Colonel, Armor  
Director, Combat Studies Institute

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## Preface

The United States has long utilized private military contractors to augment regular military forces in support of its national foreign policy and security needs. Commonly referred to as Private Military Companies (PMCs), contractors employ and manage civilian personnel from the private sector in areas of active military operations. Frequently, regular troops become dependent on the services contractors provide—a situation that may negatively impact military effectiveness. Since 1991, contractor support on and off the battlefield has become increasingly more visible, varied, and commonplace. Given the current manpower and resource limitations of the national military, the US will likely continue its extensive use of PMCs in support of military operations. This work addresses historical precedents and trends in American logistics, the current scope of contractor involvement in support of regular military forces, and the challenges posed as traditional military institutions integrate increasing numbers of civilian workers and privately owned assets into the battlespace. These problems increase the risk to US personnel and can induce budget overruns rather than savings, disrupt civil-military relations, and have detrimental consequences for the American economy and society. The work concludes by proposing a useful rubric to evaluate this “new” American way of war.

This work considers PMCs and their interdependence with regular and reserve military units in a broad sense. It derives from unclassified material widely available; understandably, these sources limit the analysis. Lessons learned from the Operation IRAQI FREEDOM (OIF) and Operation ENDURING FREEDOM (OEF) theaters may alter findings. However, this study endeavors to frame the continuing dialog concerning the appropriate use of PMCs to support regular troops. It should stimulate further research and discussion by reviewing the history, theory, doctrine, and practice of employing private contractors on the battlefield. It is admittedly Army-centric; however, in a joint environment and with a common acquisition framework provided by joint doctrine, the generalizations garnered from this analysis will be relevant to other service branches. This work spends less time on the positive aspects of contractor support, as other publications discuss these advantages in detail.

I would like to acknowledge the assistance of several key individuals and to thank all others who have influenced my life and work. Colonel Lawyn Clay Edwards (USA Retired) provided the initial inspiration and assignment. Great respect and gratitude is due the Director and Deputy Director of the Department of Military History (DMH), Dr.

James Willbanks and Dr. Richard Barbuto, who provide an excellent environment of confidence and intellectual freedom for new instructors. Dr. Glenn Robertson, LTC Marion Vlasic, Betty Weigand, and the staff of CSI provided valuable advice and assistance. I appreciate all faculty and administrative members of DMH who provided crucial moral and intellectual support. Special thanks go to Dr. Chris Gabel, Dr. Joe Fischer, and officemates Bob Kennedy, Scott Stevenson, and Gary Bjorge, who listened to my fledgling ideas and frustrations with good cheer and encouragement. As always, my family—Les, Charles, Andrea, and Steven—deserve thanks for sharing their wife and mother with the project.

The composition of the force mix is a timely and extremely important issue that awaits a comprehensive analysis. Much operational research, documentation, and incorporation of lessons learned remains to be done. My hope is that the resulting manuscript provides a starting point for the discussion of the appropriate role and level of contractor support in the US military force structure and is helpful to the Nation's many courageous and excellent soldiers, sailors, airmen, and marines.

## Chapter 1

### Private Military Companies and Public Military Institutions

On 23 December 1941, Japanese military forces captured Wake Island, a tiny atoll in the North Pacific annexed to the United States since 1899. Approximately 453 United States (US) Marine forces and 1,150 civilian employees of the Morrison-Knudsen Corporation became prisoners of war.<sup>1</sup> Wake Island remained under Japanese control until September 1945. Throughout the occupation, the Japanese evacuated the military prisoners and the majority of the civilian workers to prisoner of war (POW) camps located in China and Japan. Some 360 civilians, however, remained to continue military construction on the island. This group endured many hardships, including harsh treatment by their captors, insufficient food, poor sanitation, and overwork. A plaque mounted on a boulder near the site where the Japanese executed 98 remaining employees in 1943 serves as a simple memorial.<sup>2</sup> This episode illustrates a number of advantages, risks, and consequences that accompany the practice of using private companies as an integral component of US military forces. Given the level of private resources included in the current force mix, it is important to consider what private military companies can contribute to or detract from military operations, why they engender controversy, and to apprise doctrine writers with insights gained from experience. Military effectiveness, along with a sensitivity to the individual needs of our most important resources—American soldiers, sailors, airmen, and marines—should be the overarching principles that guide future military policy.

Private military companies (PMCs) have several common characteristics. Contractors are profit-driven organizations that provide professional military services for a global market. PMCs perform services closely related to the conduct of war that are the traditional responsibility of regular uniformed military personnel.<sup>3</sup> The most common service categories include logistical support, transportation, engineering, construction, skilled and unskilled laborers, maintenance, technical expertise, and other paramilitary operations. They operate in a highly competitive global marketplace and adapt their products to meet market demands. PMCs choose their employers and the duties they will perform in accordance with company policy. They also utilize current business management philosophies, such as aggressive advertising and sales, outsourcing (subcontracting) of noncore functions where cost efficient, and controlled production and delivery systems to optimize profit.

Although PMCs share many similar attributes, they can also differ



significantly in organizational structure, source of working capital, number of employees, and other characteristics. Contractors perform a range of services from highly specialized tasks requiring extensive training and experience—computer networking abilities and communications systems, for example—to unskilled general labor in dining halls, laundry facilities, and construction projects. PMCs vary in size and structure from large multinational corporations with a complex hierarchical corporate structure to simple partnerships and individual proprietors.

P.W. Singer divides the private military industry into three categories based on their functional capabilities.<sup>4</sup> Military provider firms concentrate on tactical situations, often participating directly in actual conflict. Consulting firms focus on building capabilities within the client's military or civil defense forces. Typically, consultants provide analysis, advisory, and training services that can include organizational restructuring and campaign design. Support firms contribute many forms of nonlethal assistance to military forces in the field, including transportation services, maintenance and supply, logistical and technical support, engineering, intelligence, and financial management. Currently and historically, support firms have commanded the largest share of US military contracted dollars.<sup>5</sup> In 2003, the US Army awarded four large task orders under the Logistics Civil Augmentation Program (LOGCAP) to Kellogg Brown and Root (KBR) worth over \$587,988,500.<sup>6</sup> These service categories roughly correspond to the traditional military functions of warfighting (provider), tactical combat support (consultant), and combat services support (support) personnel. Military logistics experts further divide contractor activity into specific in-theater, external to theater, and technological systems support.<sup>7</sup>

Moreover, elements of continuity and change characterize the relationship between regular military forces and these civilians on the battlefield. Experience indicates that private contractors have been important participants in military operations. Throughout the 20th century, US forces relied on private companies to provide varying levels of transportation, construction, and base support services. However, the end of the Cold War and the removal of Iraqi forces from Kuwait in Operation DESERT STORM in 1991 marked a sea change in American warfare. The private military industry expanded rapidly to fulfill global security needs, even as many Americans predicted reductions in future military operations. As a result, many paramilitary activities became commodities. Political instability fueled this privatization trend. Civilian employees routinely serve as translators and technical representatives and perform facility and equipment

maintenance, intelligence gathering and analysis, interrogation, security, and other duties. Two trends, privatization and the proliferation of paramilitary support services organizations, give the battlefield commander a number of options for mission completion.

Although PMCs play an increasingly important role in contemporary warfare, the level of reliance on the private military industry has fluctuated over time. Ancient Egyptian armies hired Numidians; in a similar fashion, the armies of Alexander the Great, ancient Rome, the Swiss Guard, and Gustavus Adolphus employed large numbers of individuals motivated by adequate pay and steady work. The armies of Frederick the Great used private individuals to position their cannon on the battlefield. Typically, the US has utilized more contractor services and capabilities during peacetime to avoid the costs, and the possible political consequences, of a large standing military. Conversely, American forces have depended on regular and reserve forces during full wartime mobilization. After 1991, and particularly during Operation IRAQI FREEDOM (OIF) and Operation ENDURING FREEDOM (OEF), this general pattern has reversed. Private contractors now perform many functions that were formerly the responsibility of uniformed personnel disciplined under the Uniform Code of Military Justice (UCMJ). Moreover, contractors currently deploy to more forward (battlefield) positions than ever before, and a large number of contractors work outside active theaters. Many PMCs participate in active combat. Logistician Joe Fortner observes, “contractors are not replacing force structure, they are becoming force structure.”<sup>8</sup> Currently, the US Army privately contracts aviation training and a large portion of their intelligence gathering and analysis duties. PMCs perform over 50 percent of the maintenance required by the US Air Force, and operate many of their communications systems—including those at the critical North American Aerospace Defense Command (NORAD) facility in Cheyenne Mountain near Colorado Springs.<sup>9</sup>

Supporting regular forces with PMCs has the potential to be cost efficient, to be politically expedient, and to enhance military effectiveness and national security. The use of contractors can expand the force rapidly and augment critical deficiencies in existing force structure. Industry analyst P.W. Singer writes, “Every major U.S. military operation in the post-Cold War era ... has involved significant and growing levels of PMF [private military firm] support.”<sup>10</sup> Provider contractors can offer additional political advantages (regardless of cost) to their clients. They are not bound or easily influenced by popular sentiment; their operations often maintain a low profile in the public consciousness. Likewise, PMCs are given a clear

mission and budget, and, unlike established military doctrine and tradition, relatively few suggestions on acceptable methods or rules of engagement to accomplish their tasks, even though international laws of war generally apply. Private firms can potentially restore order to political chaos, halt killing and criminal sprees, and pave the way for effective democratization. Employees of International Charter Incorporated (ICI) of Oregon have been active in recent conflicts in Haiti, Liberia, and Sierra Leone, where, under a contract from the US State Department, they assisted a coalition of West African peacekeeping forces in halting what one reporter called “an orgy of looting, murder and decapitation” by militants challenging the existing government.<sup>11</sup> Such interventions restore stability, although often short lived, to highly unstable regions.

In a larger sense, however, using military providers can be a volatile solution that raises ideological, legal, moral, and ethical concerns. As profit-driven entities whose mission may derive from any conceivable source with funding, the services PMCs offer their clients do not necessarily derive from any compelling national or humanitarian interest. Only the written provisions of the contract define contractor responsibilities. These organizations are largely extralegal and are not bound or protected by the International Laws of War or typical rules of engagement. In fact, outspoken critics consider them to be simple mercenaries—warriors for hire outlawed by the Charter of the United Nations. Many PMCs frequently conduct operations in unstable, lawless situations and the old adage that power corrupts and absolute power corrupts absolutely can apply. In an unstable environment, PMCs are capable of becoming the law themselves. The extralegal status of these entities and other sovereignty questions have the potential to create international friction among allies and enemies alike, making joint and multinational operations more difficult for regular forces. Moreover, PMCs may complicate civil conflicts by becoming just another belligerent party in an already complex security environment.

Despite the advantages and disadvantages of contractors on the battlefield, their use remains controversial. As we shall see, management is a crucial issue. Contracting agents must be careful to outline a specific statement of work (SOW) and to follow up with appropriate levels of supervision to ensure fiscal accountability and performance, particularly when regular military forces depend on contractors for their survival. Unresolved legal issues are legion, particularly regarding the status of civilians on the battlefield and the enforcement of contracts under wartime conditions with newly formed political authorities. Political and military leaders have yet to establish clearly the cost-efficiency of PMCs in their current roles.

Numerous studies generated by government agencies, journalists, and congressional inquiries document cost overruns and unexpected indirect costs, such as corruption, increased security needs, and nonperformance. Furthermore, the consequences of the extensive privatization of military services to future US overall military effectiveness and mission capability remains unknown—and for now largely ignored. Americans may find that the indirect costs to society—potential loss of employment, education, and training opportunities, as well as an ever-widening gulf between the military and civilian communities—that result from the extensive use of PMCs may be more than the country is willing to accept.

Managing the force mix has crucial implications for American society. The lives of over 1,403,000 US military personnel, many currently deployed in harm's way, are at stake.<sup>12</sup> These troops depend on political leaders for the necessary assets to complete their assigned missions and return home safely; in addition, they count on military leaders to use resources wisely. Moreover, Federal military spending can place a great deal of the country's financial wealth and economic well-being at risk. The Department of Defense budget in 2005 exceeds \$401.7 billion.<sup>13</sup> American citizens expect an effective and available force that can project national power and policy. Thus, national security and economic stability, indeed the very lives of Americans, hinge on the “right” force mix.

Remember that the increased reliance on PMCs to conduct US military operations is a conscious choice made by national political and military leaders. The current role of corporate entities on the battlefield blends the public and private spheres of interest in unique and uncharted ways. A number of risks, to include mission completion, force protection, loss of command and control, and disruption of civil-military relations, accrue to the growing dependence of national military forces on contracted services. Policy makers must continually revisit the lessons learned from experience, examine theoretical projections, and revise military policy and doctrine if the US is to manage effectively its resources and to maintain the military capabilities to achieve national security objectives.

## Notes

1. Mark E. Hubbs, "Massacre on Wake Island," <<http://www.usyorktown.com/yorktown/massacre.html>> (28 February 2005). From Gregory Urwin, *Facing Fearful Odds* (Lincoln, NE: University of Nebraska Press, 1997), Chapters VI and VIII.

2. Ibid.

3. P.W. Singer, "Corporate Warriors: The Rise and Ramifications of the Privatized Military Industry," *International Security* 26:3 (Winter 2001/2002), 4. See also his excellent work: *Corporate Warriors: The Rise of the Privatized Military Industry* (Ithaca, NY: Cornell University Press, 2003). While Singer's work is the standard monograph on the private military industry, his analysis makes use of a variety of interdisciplinary methods ("international relations theory, security studies, political economy, comparative politics, industrial analysis, and organizational behavior," from page ix). This work derives from a historical perspective that analyzes the role of contractors in American military operations and the implications of private military companies on the military capability and effectiveness of the United States' Armed Forces. The Center for Public Integrity, an international consortium of investigative journalists, adds the useful caveat of "services previously provided by National Military forces such as military training, intelligence, logistics, offensive combat, and security in conflict zones." See Laura Peterson, "Privatizing Combat, the New World Order," The Center for Public Integrity, 28 October 2002, <<http://www.publicintegrity.org/bow/report.aspx?aid=148>> (29 October 2004).

4. Singer, "Corporate Warriors," 91.

5. Ibid., 91-99.

6. Laura Peterson, "The Windfalls of War," The Center for Public Integrity, <<http://www.publicintegrity.org/wow/>> (10 December 2004).

7. Joe A. Fortner, "Managing, Deploying, Sustaining, and Protecting Contractors on the Battlefield," *Army Logistician*, September-October 2000, <<http://www.almc.army.mil/alog/issues/SepOct00/MS571.htm>> (10 December 2004).

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9. Center for Public Integrity website, <<http://www.publicintegrity.org/>>; <<http://www.norad.mil/>> (1 March 2005).

10. Singer, "Corporate Warriors," 188.

11. Peterson, "Privatizing Combat."

12. Selected Manpower Statistics, Fiscal Year 2003, Department of Defense,

Table 2-4, Active Duty Military Personnel Strengths by Regional Area and by Country (309A), 30 September 2003, 29, <<http://www.dior.whs.mil/mmid/M01/fy03/m01fy03.pdf>> (6 December 2004). More recent estimates (Carl Kasell, National Public Radio News, 1 November 2004) place 142,000 United States' troops in Iraq, with over 40,000 in the Baghdad area.

13. Office of Management and Budget website, <<http://www.whitehouse.gov/omb/budget/fy2005/defense.html>> (6 December 2004).

## Chapter 2

### Historical Precedents

In the 19th century, historians used a considerable amount of ink to recount the military campaigns of legendary commanders; they wrote few words about the contributions of logistics to the success of military operations. Martin van Creveld, however, later argued that logistics played a central, rather than peripheral, role. He maintained that logistical support limited commanders' strategic and tactical alternatives and, therefore, defined military effectiveness.<sup>1</sup> Van Creveld noted a characteristic pattern of conflict based on the belligerents' ability to sustain armies in the field. From the mid-17th century to the early 19th century, siege warfare generally rewarded the combatant most capable of sustained effort. Napoleon's concept of supply as a combination of organic logistical capability and a reliance on the local environment restored mobility to military campaigns. In the 20th century, industrial war once again subordinated troops to rear supply lines and encouraged technological development in armor, transportation, and communications. Additionally, Van Creveld asserted that the ability of political leaders to provide resources to military institutions, who would use them judiciously to achieve their mission objectives, contributed more to victory than tactical or operational skill.

Van Creveld's book, along with earlier works by James A. Huston and Russell F. Weigley regarding the US Army, encouraged military historians to reexamine the contribution of logistical capabilities to military success.<sup>2</sup> John Lynn observed, "the central importance of logistics remains clear" to the outcome of medieval conflicts; John Shy maintained that a critical lack of transportation crippled the Continental Army.<sup>3</sup> Moreover, historians continued to document elements of change and continuity in the development of American logistical capabilities. The use of contractors on the battlefield illustrates both trends. While their presence has remained a constant in American military operations, the role of what we now call PMCs has also changed significantly over time, particularly during the last three decades of the 20th century.

Beginning with the American Revolution, private contractors and individuals routinely provided transportation and engineering services, skilled and unskilled labor, technical support, and manufactured the nation's arms and armaments. Political leaders of the Early Republic, charged with the mandate to "provide for the common defense," established public institutions—military and financial—to make resources available and develop laws, policies, and procedures for their proper

use. Political leaders, nevertheless, have wavered in their delegation of logistical capabilities as the primary responsibility of private enterprise or an internal military organization. Over the more than two centuries of the nation's history, logistical burdens have shuffled among various civilian and military authorities. Presently, a confusing array of civilian governmental agencies, military institutions, private corporations, and individuals share the responsibility of maintaining US troops in the field.

Historian Charles Shrader identifies four thematic eras in the history of American military logistics.<sup>4</sup> Shrader considers the period from 1775 to 1845 the "Era of Creation."<sup>5</sup> One of the first challenges for the Early Republic was to establish and develop the organizations, institutions, and legal structure that would grow the military capabilities necessary to defend the nation. The American colonies overcame numerous challenges to support the Continental Army and their associated militia units against British regulars. Although the Continental Congress remained the primary agency in charge of procurement, transportation, and manpower throughout the duration of the war, they often relied on haphazard procedures and irregular purchases.<sup>6</sup> With few established national institutions or laws to sustain war mobilization, decentralized leadership and unstable tax revenues hampered the effective provision for war. In June 1775, Congress established the Bureau of the Commissary General of Stores and Provisions to supply the US Army. The most common method in practice, however, was direct purchase of local supplies and services by military officers for their individual commands.<sup>7</sup> This practice, as in the medieval era, proved to be generally ineffective, wasteful, and subject to fiscal abuse.

The lack of transportation capability severely limited military operations. Many individual teamsters (and their wagons) delivered supplies, and the system became extremely difficult to coordinate. John Shy observed that the inability to transport rather than inadequate supply "was a crippling deficiency militarily and economically" for the American war effort.<sup>8</sup> By 1781, Congress centralized army procurement and management under the aegis of Philadelphia merchant and Superintendent of Finance, Robert Morris. Morris relied heavily on private individuals to provide and deliver supplies to the army. In addition, swarms of laborers—cooks, medical providers, and laundresses, among others—accompanied the Continental Army. Although Morris' effort was ultimately successful, it was considerably less than ideal. The disorganized nature of troop support during the Revolution prompted Americans to develop a body of regulations and to create an institutional support structure within regular military forces.



The process of national politics that provides manpower and resources to the military has a history of ambiguity. While the Constitution is the foundation for military command authority, over time political and historical precedents have influenced military operations. Article II, Section 2, gives the President the power of “Commander in Chief of the Army and Navy of the United States, and of the Militia of the several States, when called into the actual Service of the United States.” The power to declare war, make military appropriations, and “make Rules for the Government and Regulation of the land and naval Forces,” however, belongs to Congress under Article I, Section 8. This division of power often creates conflict between the legislative and executive branches of the American government and can hinder preparation for and the conduct of military operations.

Americans attempted to provide for their fledgling military (and to resolve ambiguities concerning the balance of power) through effective institutionalization of military logistics agencies and to reduce waste and corruption through legislation. Powerful wartime presidents established strong precedents for the firm control of military forces by the nation’s top executive. Direct purchase by government officials worked well when officials tended to value quality and demand timely delivery; still, abuse, corruption, and waste attended the process.<sup>9</sup> Private contractors, Huston observed, “were more interested in assuring their own profits than in delivering articles of good quality or making delivery at the times convenient to the purchaser.”<sup>10</sup> Although the acquisition and delivery of supplies and munitions improved, oversight was minimal, and the system frequently rendered poor results.<sup>11</sup> A decentralized military staff organization and poor roads and communication also challenged the nation’s ability to quell internal disturbances—such as the Whiskey Rebellion and local Indian wars—and project military power internationally during the War of 1812.

Congress passed legislation to guide the process of military procurement beginning in 1798. Contracts were subject to a competitive bidding process that included a mandatory period of advertisement, banned advance payments, and prohibited compensation based on a percentage of funds that each contracting officer distributed. In addition, no member of Congress could profit from the supply and service contracts negotiated by the Secretary of War. Persistent fiscal abuse and poor performance led Congress to divide acquisition responsibility between several military agencies. The Office of Purveyor of Public Supplies coordinated purchases in 1792, and later the Corps of Engineers, Quartermaster, Subsistence, Medical, Ordnance, and Logistics Bureaus shared support

responsibilities.<sup>12</sup> This legislative activity, however, contributed little to military effectiveness. American logistical capabilities did not improve significantly until the mid-19th century.<sup>13</sup>

During the Mexican War (1846-1848) until the eve of the Spanish-American War in 1898, military personnel worked to establish standards of performance and training while continuing to develop internal logistical capabilities. Standardized policies and military institutions slowly improved logistical capabilities. The War Department spent over \$78 million for contracted goods and services, and growing in-house military capabilities helped to supply expeditionary armies better than ever before in the nation's history.<sup>14</sup> New modes of transportation and infrastructure improvements increased logistical and operational mobility. Congress reduced fiscal abuse by requiring a strict accounting of all receipts and payments. While the country's ability to supply armies had improved military effectiveness, the decision to retain an internal military logistical capability or coordinate the process under civilian authority remained unresolved. In addition, procedures varied from one conflict to the next; sometimes officials relearned the contractual pitfalls, abuses, and the consequences of poorly supplied forces from experience.

Military organizations concentrated on "professionalization" during the last half of the 19th century.<sup>15</sup> Profiteering and fraud plagued relationships between Union officers and support contractors early in the American Civil War. The problem was so prevalent that in July 1861, a committee in the US House of Representatives convened to investigate the issue. The extensive corruption they discovered prompted Congress to write additional reform legislation. Extensive reliance on the low-bid contract by government officials encouraged some manufacturers to sell inferior products. The contemporary meaning of the word shoddy (made of or containing inferior material, or alternatively dishonest, shabby or run-down) stems from this practice, which was widespread until officials realized that low-bid contracts often sacrificed quality and were not cost efficient.<sup>16</sup> It was difficult to monitor and enforce changes under wartime conditions, and chronic widespread corruption continued, although less so as the war progressed. These 19th century challenges, however, concentrated on the expansion and defense of the US on the North American continent, rather than an emphasis on power projection that would occupy much of the following century.

The challenges of incorporating new technology, the established traditions of a professional military, and the growing importance of the management of complex systems created an "Era of Specialization" from 1898 to

1945. The army concentrated on developing internal capabilities to fight the next war as it entered the 20th century. The Quartermaster Corps—enlisted troops initially numbering 5,400 soldiers dedicated to logistical support tasks—enhanced military logistical capabilities.<sup>17</sup> Quartermaster General Thomas Jesup proposed a transportation corps to resolve the critical shortage of transportation; Jesup believed that organizing this function under military aegis would improve reliability, double efficiency, and cut costs by at least one-third.<sup>18</sup> Mobilization for World War I, however, blurred the public and private spheres of American life and ultimately brought private business into the partnership for war as never before. Large-scale mobilization required the coordination and cooperation of the government, her citizens, and private industry. The War Industries Board, populated by business and government leaders, harnessed American industrial might to its war machine through production management, coordinated purchases, and assured that needed resources reached the battlefield.

Strict regulations governed procurement throughout World War I, although the disreputable found new ways to exploit the national emergency. Congress attempted to close these “loopholes” by banning advance payments, “cost plus a percentage of cost fee” contracts—deemed “expensive and wasteful,” and by limiting aircraft and ship manufacturers to an 8-percent profit.<sup>19</sup> Moreover, Congress made the competitive bidding processes that accounted for over 80 percent of contracts awarded in the interwar years mandatory, although unsuccessful bidders frequently accused their competitors of unfair competition, conflicts of interest, and poor workmanship.<sup>20</sup> At the close of World War I, the National Defense Act of 1920 returned many logistical responsibilities to military agencies. The nature and scope of World War II would overwhelm these capabilities.

During the interwar years, factors limited the development of military logistical capabilities. Before American entry into World War II, the US awarded maintenance and other service contracts to support allies in North Africa and the Middle East. Military units replaced many of these civilians after the official declaration of war in 1941. Civilian support labor became commonplace throughout World War II, although historian Lida Mayo later acknowledged “inherent dangers in assigning to a civilian contractor tasks that were essentially military.”<sup>21</sup> Employees may abandon or fail to complete the work; enemies may kill or capture those that remain; in addition, security needs may increase and violations may result in costly sabotage or theft. The extensive use of foreign civilians as laborers often magnified risks in addition to complicating existing language and cultural differences.

The shortage of uniformed personnel necessitated the use of contractors to provide many goods and services—logistical support, transportation, engineering, skilled and unskilled labor, maintenance, and technical expertise—and the scope of these duties increased dramatically. Congress enacted a number of legislative standards to address the “staggering” problems produced by the prolonged and intense war.<sup>22</sup> The National Defense Expediting Act of 1940 relaxed existing regulations and provided new opportunities for corruption to flourish. Government agencies were no longer required to advertise contracts, could approve payments in advance up to 30 percent, and the Secretary of War could, if necessary, build and operate industrial plants. Other legislation suspended routine fair labor practices such as the 8-hour maximum workday for government contractors and allowed generous tax amortization programs to encourage business expansion. Congress lifted profit limitations and reduced taxes for war industries.<sup>23</sup> The system did profit from better management and accountability through the War Production Board, who coordinated production, renegotiated contracts, recovered overcharges, and policed abuses.

Advanced technological capabilities created increased demands for contracted engineering services to build airfields and ports and to create deep-water harbors. The Army Corps of Engineers provided construction services and supervised international projects worth over \$1.8 billion throughout the course of the war. Private building firms constructed many domestic projects—primarily military installations and housing—in total over \$7.2 billion.<sup>24</sup> Frequently, firms combined their assets in consortiums or subcontracted various aspects of the work. Throughout World War II, the majority of compensation was via cost plus a fixed fee contracts, as the extensive abuse from previous experience prompted Congress to prohibit the cost plus percentage of cost instrument.

Construction labor needs exceeded even the expanded regular and reserve capabilities. The Army reorganized in 1942-3, creating modular-type combat engineering battalions to operate heavy machinery and provide other construction services in addition to the capability of the Army Corps of Engineers. The Army supplemented military capability with private construction firms, most of whom made extensive use of indigenous labor.<sup>25</sup> KBR became one of the largest government contractors. Aircraft manufacturers created maintenance and repair units they secretly stationed near operational theaters.<sup>26</sup> Civilian laborers on the home front refurbished planes, tanks, and vehicles. While the war effort mobilized a great deal of manpower, civilians were rarely found in active theaters. Combat engineer

battalions and US Navy Seabees relieved contractor employees when military action seemed imminent. Thus, while the number of civilian participants to support wartime activity increased dramatically, the nature of their involvement as noncombatants, for the most part, remained unchallenged. A few short years later, the war in Korea would build on the now institutionalized public-private sector partnerships forged during the two World Wars.

Shrader labels the last phase in the development of logistical capabilities the “Era of Integration.”<sup>27</sup> This process includes “centralized direction of logistical activities, organization along functional lines, and joint and combined operations employing a variety of advanced technologies.” The theme of integration extends to the incorporation of PMCs and coalition partners that is now a critical component of American warfare. This phase primarily took place after World War II and continues today.

The Korean War created a number of new logistical challenges for the US Army. Throughout the war—27 June 1950 to 30 June 1953—US contracted expenditures exceeded \$1,522,925,000. The Quartermaster Corps organized centralized service units capable of supply at the corps level.<sup>28</sup> By far, the most critical problem throughout the war was manpower. American soldiers, sailors, and airmen, wearied by the previous conflict, were reluctant to volunteer. A peacetime military organization of 590,000 personnel exceeded 1,530,000 personnel by June 1951.<sup>29</sup> Although the draft provided significant manpower, political considerations encouraged the extensive use of indigenous labor. Korean and Japanese laborers, as many as 245,000 civilians, worked with 41,000 uniformed combat service support personnel to supply troops in the field.<sup>30</sup> Official records note that “engineer construction troops, aided by great numbers of Korean laborers, worked to the limit of their endurance to restore the rail lines northward.”<sup>31</sup> In 1951, the Republic of Korea (ROK) organized many of these workers into the Korean Service Corps, a “quasi-military corps that provided general manual labor to US Army units to which they were attached,” and who were under the discipline of the ROK military.<sup>32</sup> The use of this large number of foreign workers under military authority encouraged Americans to conceptualize warfighting with less than full mobilization, thereby minimizing domestic economic and social disruption. The next major conflict showed this to be a misguided precedent; it also dramatically illustrated how conscious politicians had become of the domestic political costs of war.

Political factors figured prominently in the decisions regarding appropriate force structure during the Vietnam War. President Lyndon B.

Johnson's refusal to mobilize reserve units resulted in an increased reliance on contracted labor and other services. The military draft became extremely controversial; social mandates often filled military billets, rather than the best-qualified and motivated candidates.<sup>33</sup> As a result, contractors routinely operated bases, provided engineering and construction services, water and ground transport, and maintained and repaired equipment from the beginning of the US involvement in 1954.

Private enterprise adapted to this new role in Vietnam. Civilian contractors completed a greater number of construction projects in combat areas, and technical experts deployed alongside regular armed forces to support battlefield technology. Prior to the arrival of the US Corps of Engineers in mid-1965, US construction capability in Vietnam consisted of a contracted civilian force under the direction of the Navy. In a study of base development, Lieutenant General Carroll H. Dunn concluded: "the construction program was probably the largest concentrated effort of its kind in history. One feature of the program was unique. Because engineer troops were few at the beginning, contractors and civilian workmen for the first time in history assumed a major construction role in an active theater of operations."<sup>34</sup> In addition, more companies deployed civilian field service technicians for the increasingly complex technology in use on the battlefield.<sup>35</sup> In all, a Joint Logistics Review Board later noted that 35 American companies deployed in support of military units in Vietnam.<sup>36</sup>

Companies reorganized their corporate structure to profit from the new demand for military support. Several large companies organized into consortiums to accomplish the work. Brown and Root joined with the J.A. Jones Corporation to form BRJ. In 1965, Raymond International and Morison-Knudsen united to form RMK-BRJ, a consortium that built airfields, ports, bridges, ammunition depots, utilities, and fuel storage, maintenance, and medical facilities on contracts valued in excess of \$2 billion between 1965 and 1972. Most of the contracts were cost plus 1.7 percent of the estimated costs with a possible additional .76 percent performance bonus.<sup>37</sup> At the peak of their operations, RMK-BRJ employed more than 52,000 people at 50 locations in Vietnam. RMK-BRJ began phasing out their operations after 1969; slowly, Army Engineers, Seabees, Air Force construction forces, and Vietnamese nationals replaced company workers.

Unlike KBR's contracts during World War II, their work in Vietnam was controversial and continued amidst charges of fraud and corruption. A Government Accounting Office (GAO) report charged that Brown and Root had "lost accounting control of 120 million dollars," and their poor security had contributed to the theft of goods valued at "millions" of dollars.<sup>38</sup>

Connecticut Senator Abraham Ribicoff called for an investigation, noting his belief that “federal funds (which) are now being squandered because of inefficiency, dishonesty, corruption, and foolishness.”<sup>39</sup> Some competitors for government contracts accused their rivals of unfair business practices. Student protests met George Brown’s appearances at the campuses of Rice University and the University of Texas. In contrast, Ambassador Ellsworth Bunker acknowledged his assessment of the contribution of RMK-BRJ in 1972: “The ports that were built here to move the cargoes of war can in the years to come support ... cargoes of commerce and world trade. The airfields, roads, and bridges that now bear military traffic can serve as lifelines for the distribution of goods and services throughout the nation. At a time when all too many forces are bent on destruction, RMK-BRJ’s ten years of accomplishment have been in my opinion one of the finest episodes in our nation’s history.”<sup>40</sup> The experience in Vietnam had encouraged the Nation’s leaders to expand dramatically the role of contractors on the battlefield. In part, this was a product of the mechanism of American government that provides for its military needs. The war was controversial, and political and economic factors sometimes overshadowed a clear focus on military effectiveness.

Congress has alternatively restricted and empowered presidential military prerogatives. In 1964, Congress authorized President Lyndon B. Johnson to “take all necessary measures to repel any armed attack against the forces of the United States and to prevent further aggression ... the United States is, therefore, prepared, as the President determines, to take all necessary steps, including the use of armed force, to assist any member or protocol state of the Southeast Asia Collective Treaty requesting assistance in defense of its freedom.”<sup>41</sup> This resolution remained in force until terminated by a concurrent resolution of Congress. The Cooper-Church Amendment (1970), the first Congressional legislation to limit the deployment of troops during a war, prohibited then President Richard Nixon from using American military forces in Cambodia and Laos after 30 June 1970. Congress exerted even more influence over the use of the military with the Goldwater-Nichols Act of 1986, which reorganized the armed forces to reduce interservice frictions and to enhance their ability to conduct joint and multinational operations.

Complex social, political, and economic factors, including racial conflict, interservice rivalries, and controversial application of military discipline further eroded military effectiveness after 1970. Controversial presidential decisions by the Johnson and Nixon administrations during the Vietnam War resulted in the passage of the War Powers Act in 1973.

This legislation required the commander in chief to return American military forces from foreign deployments within 60 days unless Congress authorized an extension. Covert CIA activities, such as the controversial Phoenix Program, encouraged congressional leaders to place limitations on the commander in chief and to reexamine both foreign policy and the means available to project national military power. Vinnell Corporation, not American troops, reorganized and trained the Saudi Arabian National Guard forces. The increased scrutiny of military operations by Congress, the public, and a growing number of investigative journalists created more demand for private security providers to supplement high profile regular troops. The decision to increase the use of civilian providers to support military operations appeared logical and practical, not only in terms of political expediency but also in the face of economic realities.

Military resource management throughout the 1980s reflected new expectations and incorporated some of the lessons learned in Vietnam. Regular military units concentrated on special competencies rather than broad capabilities. Because the end of the national draft in 1973 required the services to attract recruits from a competitive job market, the soldiers, sailors, and airmen of the all-volunteer military expected increased benefits, retirement incentives, and higher living standards. The army restructured forces to ensure that the reserves would accompany regular units during any extended military action. Civilian contractors began to appear on military installations as the services restructured to become more responsive to peacetime resource allocations and other market realities.<sup>42</sup>

In 1987, the Defense Department awarded the first umbrella contract to a private corporation with the intent to provide for contingencies and short-term emergencies and to control unnecessary costs. LOGCAP required the contractor, rather than the military, to maintain the capability to receive, house, and sustain 20,000 troops in five base camps for 180 days, with an option to extend requirements to 50,000 troops for 360 days.<sup>43</sup> LOGCAP has supported several military operations since the initial award. KBR provided dining facilities, water, laundry, petroleum, and other needed services and supplies to sustain Operation JOINT ENDEAVOR in Bosnia in 1995. This contractual arrangement allowed regular troops to concentrate on the military mission, in effect providing “more tooth, less tail” to the mix of forces.<sup>44</sup> KBR became a major provider of construction projects; US Air Force (USAF) and US Navy (USN) construction engineers assisted contractors, which turned the original concept of augmenting regular forces on its head. In East Timor, LOGCAP contractor DynCorp supplied four helicopters, piloted by Russian and



Bulgarian nationals, to transport an excess of 6,500 passengers and 845 tons of cargo in 474 flight hours. To at least one logistician, this validated the LOGCAP concept that the US military could fulfill missions without “always having to use military assets directly.”<sup>45</sup> The military relied on LOGCAP contracts throughout the 1990s to complete a number of missions, including military operations in Somalia, Rwanda, Haiti, Southwest Asia, and Italy. The companies who performed the work earned more than \$268 million.<sup>46</sup> Contractor support continues to play an ever-expanding role in military operations.

Contractor support was crucial to Operation DESERT STORM in 1991, although few contractor employees deployed to forward combat areas. The decision to deploy only US regular combat units necessitated the use of 998 employees from 76 US contractors and over 2,900 employees of 22 foreign contracted firms.<sup>47</sup> For the most part, US contractors provided maintenance, supply, and transportation services. Foreign contractors worked primarily in transportation services as providers of trucks, buses, and drivers (86 percent of the total). Although the force mix included 770 Department of the Army civilian (DAC) employees (472 maintenance and 298 supply workers), only 34 employees—primarily technicians for high-tech weapons systems—from 10 US contractors accompanied the force into Iraq or Kuwait; no DAC employees deployed across the border with Army forces.<sup>48</sup> As many as 250 logistics assistance representatives accompanied Army units into Saudi Arabia, Turkey, and Israel to maintain equipment. Additional civilians manned depot systems in forward positions determined by the theater commander.<sup>49</sup>

The augmentation of regular troops with contractors allowed the force to deploy rapidly, maximize flexibility, and maintain operational capacity of advanced technology. Multiple contracting agencies attempted to match the needs of the force with the advantages and skills of the contractors, with the support and infrastructure of the host nation as a fundamental consideration.<sup>50</sup> Contractor logistics support allowed troop levels to stay under mandated strength ceilings and to increase overall combat power. However, a study by the Logistics Management Institute revealed serious problems concurrent with the extensive use of contract support.<sup>51</sup> Command and control was difficult, commanders had poor visibility of contractors, and few military contracting officers were available to supervise the work. Coordination and communication through these already narrow channels became more difficult under combat conditions. Contractors operated without the crucial guidance of “commander’s intent.” Civilians often lacked the physical capability, training, and discipline necessary for

combat support. Language barriers contributed to poor communication. A study concluded: “Senior logisticians whom we interviewed were almost unanimous in their observations that the contractors performed an essential and vital role on the battlefield especially in supporting the high-tech weapons systems.” Many observed that in future conflicts, greater use of contractors and DACs can be expected; however, their roles would be “undertaken primarily in the rear areas.”<sup>52</sup> Because this short operation handily achieved its limited goals, the problems seemed less important than the result. The extensive use of contractors continued to evolve beyond past proportions and, in the absence of critical examination, the role of PMCs became increasingly complex and undefined.

In addition to chronological eras of development, historians have identified a number of issues and trends that impact logistical capabilities, including political institutions, military personnel, management, the force mix, and the mobilization in modern, particularly 20th century, warfare. The increasing complexity of battlefield technology has elevated the importance of logistics in relation to the strategic and tactical concerns of warfare. Logistical considerations limit the strategic and operational possibilities and shape campaign planning as never before. Logistics personnel have become more specialized—to accommodate new technologies and management systems—and more numerous. Today’s military organizations can easily contain a higher ratio of “tail” compared to the “tooth” of the past. Moving and sustaining this tail became a concern in and of itself during expeditions and overseas deployments.

Two overarching themes currently characterize the military management field—the process of rationalization and cyclical patterns of readiness. Rationalization refers to centralized planning (generally at a high DOD level) and systematic application of business management techniques. These ideas hark back to Frederick Taylor’s “time and motion” studies during the late 19th century, where Taylor examined industrial production to determine the most efficient ways of producing manufactured goods. In 1903, Secretary of War Elihu Root found military applications for Taylor’s management techniques. This trend continued with attention to statistical controls during World War I, grew into the applications of “systems analysis” in the 1960s, and later became operations research. The second element, cyclical patterns of readiness, refers to the tendency—first noted by Emory Upton in the 19th century—of the US to demobilize and deemphasize military expenditures and modernization until the next conflict begins and the demand for military power is immediate. Upton referred to this phenomenon as “chronic unpreparedness,” although the process more

closely resembles a continuing cycle. While many of today's military historians and analysts insist that the US has maintained a more ready posture since the close of World War II, the end of the Cold War in 1991 signaled a period of massive demobilization.

The composition of the force mix and mobilization concerns represents another area where change is evident. Civilians working for PMCs, rather than as Department of the Army (DA) or DOD personnel, make up a greater percentage of today's force. The tendency toward coalition warfare has led to the concept of host nation support. Often, however, the US military operates in a complex logistical environment that requires it to provide support for its coalition partners and PMCs. What is significant here is that before the Vietnam conflict, PMCs were used more or less as a matter of necessity, rather than what later became a routine design feature of the force mix. Current doctrine accepts the support of contractors and coalition partners as an integral component of military operations. In addition, the rapid tempo of current military operations often requires rapid deployment. The geographical requirement to project military power across the globe increases the complexity, scale, and scope of logistical support.

Although the face of warfare had changed dramatically since the American Revolution, crucial aspects of the process remained clear and consistent throughout Operation DESERT STORM. PMCs played significant but limited roles on the battlefield. Their legal status was clearly defined as a noncombatant and their purpose was to support regular and reserve units conducting military operations. Military officials contracted PMCs for transportation, supply, labor, and engineering needs in areas adjacent to or outside of active theaters; the jurisdiction of the UCMJ extended to civilians employed to support military operations. Congress attempted to stem corruption and waste with careful planning, standardized contracts, and appropriate levels of government supervision. Efficiency was generally the top priority of peacetime, and, as a result, effectiveness—particularly early in war—fluctuated. The US government financed war from a broad tax base and extracted manpower, when necessary, through a mandatory draft.

There are strong indications, however, that American military institutions and civil-military relations may be entering a new phase. While the nature of this change will unfold over time, current practice deviates significantly from previous patterns. Past decisions have eroded established military traditions, structure, and many legal processes created in the earlier phase. While soldiers have specialized training programs and maintain

strict professional standards, they are also experiencing a number of career changes throughout their 20 plus years of service. This may tend to produce soldiers that are more generalized practitioners in the art of war. Integration takes on new meanings as coalition warfare changes the face of American military operations and the incorporation of a high number of PMCs into the force mix eclipses the participation of DA civilians.

In many ways, the Vietnamese conflict represented a transition in American warfare. The clear roles, disciplinary procedures, and operational areas of PMCs began to blur. Contractors filled shortfalls in a limited, all-volunteer force structure. Policy makers reversed the very rationale for using PMCs—to augment short-term voids in the regular military force structure—as PMCs became primary repositories of capabilities supported as necessary by uniformed troops. The 1990s, however, represents a watershed decade for change. As a result, PMCs are so vital to current military operations that industry analysts suggest the US can no longer go to war without private contractor support. The elements of past success in wartime mobilization—centralized planning, production, and delivery; reliance on domestic sources; independent military organizational and command structures; adequate oversight; focus on military effectiveness; and reliance on the draft from a broad segment of American society—no longer applies.

## Notes

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## Chapter 3

### Operations IRAQI FREEDOM and ENDURING FREEDOM

Political restructuring during the 1990s produced trends that drastically altered the American “way of war.”<sup>1</sup> The political instability triggered by the collapse of the Soviet Union allowed for the violent expression of many existing ethnic and religious conflicts, spurring the demand for private security and increased military support services. Weapons stockpiles fueled conflict with inexpensive and available arms. Americans interpreted a reduced threat to national security that would result in a “peace dividend,” or an accelerated reduction of military size and expenditures. This decrease in American forces by as much as one-third created an ample supply of skilled workers to fill the demand for increased paramilitary services.<sup>2</sup> Moreover, PMCs assumed many staff and other routine duties formerly performed by uniformed personnel and DOD civilian employees. Although the United States remained the dominant international military power, many politicians and citizens looked to other instruments of conflict resolution and national power—diplomatic, political, and economic—to achieve American foreign policy goals and responsibilities.

Economic restructuring also dramatically altered the conduct of military operations. Many policy makers theorized that privatization and private management of public assets would increase efficiency while reducing both the size and cost of government. The move toward privatization, began by President Eisenhower in the 1950s, gathered momentum and support. By 2000, declining government receipts, burgeoning deficits, and an emphasis on peacetime efficiency encouraged the policy change and intersected favorably with the historical tendency of the US to rely more heavily on private assets in times of reduced mobilization and during lower levels of perceived threat.

However, privatization blurred the roles of public and private sectors. Officials have used the term “inherently governmental” functions to define essential services that specialized government employees should manage to maintain the public trust. Some analysts define military functions as inherently governmental, because military defense should not be a function of the market economy. In contrast, business managers use outsourcing, privatization, and other market-based techniques to improve cost-efficiency and to optimize production thereby maximizing profit. Government services focus on national strategy goals, while private military companies stress profit and growth. Thus, differences in function,



goals and objectives, and methods of management create boundaries between public and private responsibilities.

The global marketplace encouraged diverse methods of business management. Three management techniques contributed to a competitive climate—privatization, outsourcing, and timed production and delivery. Privatization, frequently encouraged to reduce the overhead and growth of the federal government, involves exploring the cost efficiency of delegating specific governmental functions to private businesses. The competition fostered by such initiatives, in theory, can reduce costs and provide more effective customer service. Beginning in 1955, the Eisenhower administration encouraged federal agencies to rely on the private sector to limit government expansion and to manage resources efficiently. The Office of Management and Budget (OMB) provided written guidance for the competitions in Circular A-76 in 1966; OMB has since revised the process while retaining the central goal of cost efficiency. Under the regulation, federal agencies can contract commercial activities by direct conversion (under prescribed circumstances) or after completion of a cost comparison analysis that allows government employees to compete with private sector providers. The Reagan administration encouraged A-76 studies and established the President's Commission on Privatization to "review the appropriate division of responsibilities between the federal government and the private sector."<sup>3</sup> In 1995, congressional and presidential initiatives and declining budgets encouraged government agencies to revisit the issue of privatization. Supported by the Clinton administration, the Department of Defense completed A-76 studies on approximately 10,660 positions in fiscal years 1995-99.<sup>4</sup> The (George W.) Bush administration continued to advocate competitive sourcing studies to achieve maximum cost efficiency and accountability in government management.<sup>5</sup> Critics charge that many A-76 studies neglect to address the finding that a bidding process focused on cost-efficiency through competition and efficient management can fail to produce similar quality or equivalent customer service.

Outsourcing allows the government (or other business entity) to retain greater influence over the service or product, but refers a specific portion of the work to an outside entity or subcontractor. Military outsourcing utilizes private businesses to complete specific responsibilities, particularly staff and clerical work. The uniformed personnel replaced are available for other missions. Significant cost reductions accrue from lower training, benefit compensation, retention incentives, and retirement costs. Moreover, outsourcing allows the contracting organization and the contractor to maximize resources and stress excellence in their core

competencies. Privatization and outsourcing are controversial practices because they can involve contracts with business entities that exploit labor by neglecting safety standards and fair labor practices. Despite the controversy, privatization and outsourcing continue to be widely accepted business practices.

Another common management technique aims to eliminate waste by controlling the flow processes of manufacture (or acquisition) to assure delivery when needed. Managers can reduce production and storage costs, in addition to controlling the marketing of their product. Toyota Corporation developed this management technique (first known as the Toyota Production System or TPS) and applied it to their Japanese factories in the 1950s; manufacturers in the United States began using the concept of “just-in-time” delivery in the 1980s.<sup>6</sup> Military officials apply this concept as “focused logistics [that] provides the right personnel, equipment and supplies in the right quantities and at the right place and time.”<sup>7</sup> The development of new communications technology, especially the extensive use of the Internet for business applications, has made the practice of controlled production and delivery standard procedure for the global economy.<sup>8</sup> The military applications of privatization, outsourcing, and focused logistics profoundly affected operations throughout the 1990s.

The role of contractors in Operation ENDURING FREEDOM (OEF) and Operation IRAQI FREEDOM (OIF) is a significant departure from past experience, even from the recent past of Operation DESERT STORM. While contractors played a continual role supporting US troops from the opening shots of the American Revolution, by 2003 military contractors commanded an ever-expanding share of the force mix. A recent study of 2.2 million contracts from 1998 to 2003 indicated that DOD spent half of their budget on private contractors. Service contracts accounted for 56 percent of the total amount spent.<sup>9</sup> More than 20,000 employees currently work in a nonlinear theater of military operations that risks not only their personal safety, but also that of the troops they accompany, as well as an undetermined number of foreign nationals.<sup>10</sup> These workers perform a variety of military services including construction, security, training, maintenance of facilities and equipment, logistical support, transportation, and maintenance of information technology capabilities. Industry experts assert that as many as 30 companies working in these two theaters of war are foreign-owned; in addition, over 60 US corporations are present.<sup>11</sup>

The diverse needs of the OIF and OEF theaters require mobilized assets from a mix of public and private sources. While the traditional

function of military forces is warfighting, current practice requires soldiers, marines, sailors, and airmen to be statesmen, humanitarians, police, interpreters, and fulfill additional roles as needed. The scope of current missions requires competencies sometimes in short supply within the military ranks. Civilian employees and contractors are often tapped to fill the gaps, although doctrine requires regular forces to maintain independent, long-term support capabilities.<sup>12</sup> Cost savings can accrue by utilizing the special training and experience of corporations with the infrastructure development, corporate organization, and capability to deliver a wide range of service support quickly.

The largest sector of the PMC industry is employed in base operations, construction, and other combat support services. A recent study by a consortium of investigative journalists indicated that two services organizations held 2,700 of the 3,061 contracts awarded by DOD from 1994 to 2002. KBR employs over 24,000 workers in Iraq to conduct a variety of civil and military construction projects, in addition to operating 60 dining facilities for US military personnel.<sup>13</sup> KBR has a long-standing relationship with government contracting that stems from World War II, when many officials considered them to be “the” government contractor for a variety of engineering, construction, operations and maintenance, and logistics services. Despite recent allegations of some improprieties, KBR is a leading government contractor in Iraq and Afghanistan, earning over \$11.4 billion from government contracts from 2002 to July 2004.<sup>14</sup> KBR’s parent organization, Halliburton, is familiar with military operations in the Middle East; the US government hired the company to extinguish oil well fires ignited during the first Gulf War. Vice President Richard Cheney, Halliburton’s former CEO, remarked, “The first person to greet our soldiers as they arrive in the Balkans, and the last one to wave goodbye is one of our employees.”<sup>15</sup> Booz Allen Hamilton has worked closely with the US military since 1940, and, in addition to their traditional construction and combat support services contracts, they currently provide employees that work in strategic planning, engineering and architectural services, information technology and systems development, wargaming, policy analysis, economic and business analysis, and logistical planning and analysis positions.<sup>16</sup>

Private corporations offer a full range of provider, consultant, and support functions in OIF and OEF. Security details comprise the majority of the provider contracts. DynCorp, a service company that operates in 15 different industries, provides a security detail for Afghan president Hamid Karzai valued at \$52 million in fiscal year 2003. Erinys International

protects Iraqi oil pipelines for \$39.2 million, an effort that requires over 14,500 security guards.<sup>17</sup> CusterBattles, a corporation that operates in 70 countries and employs 1,200 people, has provided security for Baghdad International Airport since June 2003.<sup>18</sup> Thousands of civilian employees now perform many duties formerly assigned to military units.

Consultant firms are numerous and offer many capabilities. In 2003, Vinnell Corporation earned a \$48 million contract to train the new Iraqi National Army.<sup>19</sup> Vinnell's website traces their involvement in the industry from 1975, when they "embarked on a precedent-setting project for a civilian firm—the training, logistical support, and complete modernization of the Saudi Arabian National Guard."<sup>20</sup> Vinnell, now a subsidiary of Northrop Grumman, has broad capabilities including the operation and maintenance of military bases in Europe, the Middle East, and the United States. CACI International, with over 9,400 employees worldwide, operates military computer systems in Iraq, collects and analyzes data, and employs interrogators under a contract valued at \$19.9 million dollars.<sup>21</sup> Computer Sciences Corporation (CSC), a prominent information technology services provider, earned \$14.9 billion in fiscal year 2004. Forty-three percent of CSC's business revenues derived from government contracts in 2004—DOD was their largest single government customer. CSC claims to have served "virtually every agency and department of the Federal government worldwide" for over 25 years, with \$6 billion in annual revenue and over 40,000 employees in 750 locations.<sup>22</sup> Blackwater Security Consulting, founded in 1996, provides firearms and security training for law enforcement and military organizations. One of their most recent contracts involved training Iraqi police and military units.<sup>23</sup>

Many firms perform service or support in more than one functional area. CusterBattles' advertises services that range from humanitarian disaster relief to "kidnap and ransom support."<sup>24</sup> Aegis Defense Services currently provides security for the US Project Management Office in Iraq, in addition to management of private sector contractors engaged in reconstruction.<sup>25</sup> Titan Corporation, one of the largest suppliers of translators in Iraq, also provides equipment and technology services to government agencies including the military, NASA, and the Federal Aviation Authority.<sup>26</sup>

Contractors work for a number of governmental agencies and nongovernment organizations with humanitarian and political, rather than military, priorities—primarily the US Agency for International Development (USAID) and the US State Department. In April 2003, USAID awarded a \$43 million contract to Abt Associates for medical equipment and training

of the Iraqi Health Ministry. American President Lines, Ltd. earned nearly \$5 million for emergency ocean freight services in April and June of 2003. In FY 2003 DynCorp (acquired by CSC) earned a \$50 million contract from the State Department to provide support to Iraqi law enforcement agencies.<sup>27</sup>

For the most part, these companies fulfill their contractual obligations in volatile and unsafe environments. Not surprisingly, the absence of political authority often exposes contractor employees to hostile military action. The insurgents are asymmetrical forces, not signatories to international or regional agreements, and use violence and the threat of violence to deter public cooperation with authorities. The highly publicized deaths of four employees of Blackwater USA in Fallujah in March 2004 and recent incidents of beheadings tragically illustrate the personal risks assumed by many contractor employees. By mid-2004, reports noted at least 50 deaths and 300 wounded civilian employees in Iraq and Afghanistan.<sup>28</sup> More recent figures from the US Labor Department observed a 93-percent increase in US contractor deaths during the fourth quarter of 2004, with over 232 workers killed in Iraq and an average of 22 attacks on sites, employees, and construction projects per week.<sup>29</sup> Contractors working in other world regions also assume these risks. Marxist rebels have held three American civilians employed for a subsidiary of Northrop Grumman in Columbia as hostages for over a year.<sup>30</sup>

Many employees are willing to accept the uncertainty associated with civilian work in war-torn regions. The pay can be two to ten times higher than that received by comparable military personnel. Former members of the Green Berets or special operations forces may make as much as \$30,000 per month.<sup>31</sup> Large private military corporations such as Halliburton routinely recruit at job fairs, many held near military bases. Compensation averages \$80,000 to \$100,000 annually to ex-soldiers and marines, who utilize their military training and experience acquired and honed by their years of government service.<sup>32</sup> Most of this pay (\$80,000 if deployed over 330 days) is tax free. In contrast, senior enlisted special operations forces earn around \$50,000 annually.<sup>33</sup> Halliburton reports employing around 300 people each week from their database of 100,000 resumes.<sup>34</sup>

The legal status of civilian workers supporting US military operations is frequently unclear. Many host nations enter into Status of Forces Agreements (SOFAs) that determine the legal status of US citizens within their boundaries. In the absence of SOFA, the Hague (1907) and Geneva Conventions (1949 and subsequent) apply to US actions during

international armed conflicts between signatories. The US military issues identification cards to PMC employees that designate their status as noncombatants or civilians authorized to accompany military forces in the field. Nevertheless, PMC employees that accompany US Armed Forces “may be subject to hostile action.”<sup>35</sup> Many of these civilians currently work in areas where there is weak political authority, belligerents who do not recognize international law, and perform their duties during military operations other than war (MOOTW) or stability and support operations (SASO). Thus, if captured, they are not assured the protections of POW status. The ambiguous legal status of civilians on the battlefield is only one complex issue that commanders currently face.

Military planners must synthesize, prioritize, and apply a complex system of guidance. Title X of the US Federal Code authorizes the military to maintain core capabilities as determined by the Secretary of Defense. National strategies, defined by the executive branch, set military goals and objectives. From this guidance, the military establishes joint and individual service regulations that outline the policies, responsibilities, and procedures of each service branch. Field manuals (FMs) provide additional guidance based on regulations. Proponent agencies with the proper authority issue revisions or exceptions, generally in the form of policy statements. *Parameters*, *Military Review*, and other service publications offer direction from the experience of field officers. The entire US Federal Code, ranging from acquisition regulations to criminal statutes, applies at all stages of the contracting process.

National strategy is the first level of doctrinal control that gives purpose to the use of military power as an element of national power. These documents, to include the National Security Strategy and the National Military Strategy, have increasing relevance to the military community and determine what resources political leaders will make available to military institutions. Military officers must establish and interpret regulations to implement this guidance from the nation’s political leaders. Currently, a complex body of Army regulations (ARs), field manuals, and policy statements have evolved over time, beginning with AR 700-137, *Logistics Civil Augmentation Program (LOGCAP)*, to “preplan[s] for the use of civilian contractors to perform selected services in wartime to augment Army forces.”<sup>36</sup> LOGCAP initiated a method to provide combat support and combat services support, primarily in support of contingency operations and rapid deployment. The first LOGCAP contract reimbursed KBR’s costs plus a guaranteed 2 to 5 percent of cost fee for services. Although DynCorp won the second LOGCAP contract, KBR retained the

Balkans operations support (1995–present), and the company earned the entire 2001 LOGCAP contract that is renewable for 10 years.<sup>37</sup> The US Air Force has a similar policy, Air Force Contract Augmentation Program (AFCAP), to provide limited base operating support as it becomes necessary.<sup>38</sup> The US Navy’s Contingency Construction Capabilities (CONCAP), although more focused on construction activities, utilizes preplanning that can incorporate contractor capability to support regular forces.<sup>39</sup> Officials continue to consider the possibility of converting additional regular military positions to civilian workers, especially in peacetime, to check unwarranted military growth and expenditures.<sup>40</sup>

As contractors proliferated during military deployments, the Army established more specific guidance.<sup>41</sup> AR 715-9, *Contractors Accompanying the Force*, explains the concept of contractor support, establishes policies and procedures for the use and management of contractors in operational areas, and designates the responsibilities of Army commands, contractors, and US citizens employed by contractors. The Deputy Chief of Staff for Logistics (DCSLOG) is the proponent agency of this regulation. The regulation states that contractor employees “shall be designated to a military unit to maintain administrative oversight and accountability” and must “obey general orders and force protection rules.” Operational plans must include contractor support. Only the contracting officer or his or her representative can revise or modify existing contracts. The regulation requires that contractor “personnel will be assigned duties at Echelons-Above-Division”; contractor personnel will not “command, supervise, administer, or control Army or Department of the Army Civilian (DAC) personnel”; nor shall contractor personnel be “supervised or directed” by military or DAC employees. Regulations do not authorize contractors to wear military uniforms other than safety equipment, and prohibits them from “any role that could jeopardize their status as civilians accompanying the force.” They may also be subject to local laws or other criminal jurisdictions.<sup>42</sup> Together, AR 700-137 and AR 715-9 provide the foundation for the relationship between contracted firms and Army commands.

As the role of PMCs expanded, field manuals and Department of the Army Policy Memorandum also directed planning officials. FM 100-10-2, *Contracting Support on the Battlefield*, and FM 3-100.21, *Contractors on the Battlefield*, are the current relevant doctrinal manuals. The former refers to the appropriate DOD policy and National Strategy as foundational guidance for deriving the “most effective mix of the total force” and stresses the advantages contractors can offer the field commander. The

manuals describe the influences on the ability to utilize contractor support, including the type of contingency and the maturity of the operational environment. Appropriate risk assessments should determine if contractor support is feasible, and field manuals should refine the definitions of the responsibilities associated with the use of contractors, including force protection, planning, management, and integration.<sup>43</sup> The two field manuals, Army regulations, and policy memorandum provide an overview of procedures that govern contractors accompanying military forces.

Many industry analysts, politicians, and military planners insist that the presence of contractors on the battlefield will continue to escalate. President Bush and Defense Secretary Donald Rumsfeld are advocates of competitive sourcing. Michael P. Peters, a career Army officer and the Executive Vice President of the Council on Foreign Relations, observed, “It’s a virtual necessity, ... to outsource .... There’s no turning back from this, because of the nature of the Army and the nature of the tasks it has to do.”<sup>44</sup> FM 3-100.21 observes: “the increasingly hi-tech nature of our equipment and rapid deployment requirements have significantly increased the need to properly integrate contractor support into all military operations ... the future battlefield will require ever increasing numbers of often critically important contractor employees.”<sup>45</sup> FM 100-10-2 maintains that “Contracting is an integral part of supporting Army forces.”<sup>46</sup> Despite the prevalence of these convictions, the decision to incorporate a high proportion of contractors into the force mix is neither static nor irrevocable. The hard lessons of war will determine if the current policy and practical experience serves the taxpayer, the soldier, or the American public. The quality of American soldiers, marines, sailors, airmen, and reserve components have made it a foregone conclusion that US forces will accomplish each and every assigned mission. As a result, the bottom line—military effectiveness—is perhaps the least considered factor in determining who fights for American interests.



## Notes

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and, sometimes scarce, information provided by the US government, the amounts in the ‘contract values’ field represent several type [sic] of contract payouts.” The important point here is that, while we have some indications of problem areas, we do not have accurate information to adequately assess the benefits and costs of many contract activities. More information needs to be gathered from a variety of sources and both the industry and their client government agencies should achieve greater visibility of contracting activity. See page 20 of the report at <<http://www.publicintegrity.org/wow/bio.aspx?act=pro&fil+IQ>> (17 August 2004).

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35. US Army Field Manual 100-10-2, *Contracting Support on the Battlefield* (Washington, DC: Headquarters, Department of the Army, 4 August 1999), iv.

36. AR 700-137.

37. Peterson, "Windfalls of War," The Center for Public Integrity. Critics charge this lack of competition creates the exact situation that competitive sourcing was designed to correct.

38. See <<http://www.afcap.com/>> (4 July 2005), which describes the mission of AFCAP as: "The Government and Private Industry team up to provide cost-effective, responsive solutions to meet the realities of today and the challenges of tomorrow."

39. See <<http://www.almc.army.mil/alog/issues/JanFeb03/MS870.htm>> 4 July 2005.

40. This brief analysis is not intended to be a legal analysis, but rather a review of pertinent regulations that govern the process as a starting point for further research. The most salient point is that the guidance and regulations provided to military planners is complex, detailed, and requires extensive training and experience to master.

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42. US Army Regulation 715-9, *Contractors Accompanying the Force* (Washington, DC: Headquarters, Department of the Army, 29 October 1999), 10, 11-12, 14, 15.

43. FM 100-10-2, 1-1, 1-15, 2-10, 3-8.

44. Pan, "Military Outsourcing."

45. US Army Field Manual 3-100.21, *Contractors on the Battlefield* (Washington, DC: Headquarters, Department of the Army, 3 January 2003), Preface. See also Simonds, 3.

46. FM 100-10-2, 1-16.

## Chapter 4

### The Future of PMCs During US Military Operations

The current role of private enterprise on the battlefield in providing a broad range of military support services in virtually any location, especially inside active theaters, deviates significantly from any previous experience. Several factors affect the decision to incorporate a greater number of PMCs into the force mix and represent economic, political, and experiential considerations. A close examination of the challenges American policy makers and military leaders face when integrating PMCs into the force mix reveals four areas that are particularly controversial and problematic: First, officials have yet to establish clearly the cost efficiency of the current levels of PMC participation on the battlefield. Second, the ability of PMCs to contribute to both short- and long-term military effectiveness is uncertain. Third, unresolved legal issues detract from American credibility and influence with the fledgling authorities of many war-torn and unstable regions, making political and civil objectives more difficult to achieve. Fourth, because war impacts society, often profoundly, conscientious leaders must consider the social consequences of the current policy, particularly in view of a changing civil-military relationship. In short, policy makers cannot live only for the present. Officials must resolve troubling ambiguities in four broad areas—cost efficiency, military effectiveness, legal status (individual and contractual), and consider possible consequences for society as well as to the future force—if the US military is to retain the capabilities necessary to maintain national security and contribute to society's well being.

Theory and research support the cost efficiency of support contractors. If the current role of contractors on the battlefield is to become the status quo, government officials must clearly document the actual cost efficiency of the practice, in both the short term and long term. However, little solid evidence exists to document actual savings based on long-term experience. Much of the information currently available is conflicting. Cost overruns are common. Poor management and supervision often accompany the current practice of contractor support largely due to a shortage of Army supervisory personnel and training. Experience reveals that certain types of contracts, particularly cost-plus and open-ended contracts, often result in increased costs and sometimes fiscal abuse. Leaders must also identify and quantify hidden costs, such as increased security needs and the additional costs of supporting contractor employees in the field, and take action to curb abuses. Military organizations, rather than the General

Accounting Office (GAO), General Services Administration (GSA), or Office of Management and Budget (OMB), should be the key to documenting the linkages—whether cost savings or increases—between theory and practice.

Government policies since the 1950s have consistently supported the implementation of privatization and outsourcing options, where applicable, as checks on governmental growth and rising costs. In addition, competitions can enhance customer service and performance. The goals of “competitive sourcing,” an important agenda item in President George W. Bush’s management strategy, are to “promote(s) innovation, efficiency, and greater effectiveness.”<sup>1</sup> Scholars at the Reason Public Policy Institute describe competitive sourcing as “part of a performance-based management initiative designed to improve performance and efficiency. Competition done right drives down costs and ratchets up performance, often dramatically.”<sup>2</sup> Several studies support the cost efficiency of using civilian employees to fulfill certain functions in peacetime.<sup>3</sup> However, Congress also recognized that certain governmental functions operate independently of commercial activity. The 1998 Federal Activities Inventory Reform (FAIR) Act required government agencies to inventory and classify positions as “commercial” (jobs open to competitive sourcing) or as inherently governmental (functions that government employees must administer and manage). A May 2003 revision of Circular A-76 concurred with the concept of inherently governmental functions, and the regulations exempted activities identified as such from competition with private business entities.<sup>4</sup> Current policy, however, often challenges these boundaries between public and private organizations resulting in an inconsistently applied policy.

While critics of privatization challenge the wisdom of applying outsourcing or competitive sourcing policies to military functions, advocates dismiss these concerns as misunderstandings. Jacques Gansler, former Undersecretary of Defense for Acquisitions, Technology, and Logistics, labeled certain criticisms—in particular, unrealized projections of cost savings and poor performance or quality—as “competitive sourcing myths.” He concluded, “these theories increasingly are being tested, and the data are proving them wrong.”<sup>5</sup> Gansler cited research that supported both short-term and long-term cost savings. A study of large municipalities reported cost reductions of up to 60 percent, with a 25-percent average improvement in service.<sup>6</sup> The GAO concluded that Defense Department competitions could produce savings even when government employees continued to perform the function under study. GAO’s work noted that A-76

studies reduced costs by 39 percent overall and concluded “the savings ... are substantial and sustained over time.”<sup>7</sup> The Center for Naval Analysis reported an average cost savings of 31 percent from Defense Department competitions conducted between 1978 and 1994.<sup>8</sup> The OMB attributed a 15-percent reduction to competitive sourcing efforts in 2003.<sup>9</sup> Critics remained skeptical despite these positive predictions.

Other criticisms leveled at military privatization include reduced quality control, elimination of small businesses from government contracts, and creation of widespread unemployment. Research disputed many of these allegations. The Reason Public Policy Institute concluded that government agencies and Federal Acquisition Regulations, such as OMB Circular A-76, focus increasingly on “best value” or “the best combination of cost and quality” to avoid purchasing poor quality work or goods.<sup>10</sup> Additionally, Defense Department officials maintained that small businesses were able to acquire a significant share (79 percent) of government business from 1995 to 2001.<sup>11</sup> Layoffs of government employees were minimal (8 percent); most employees eliminated by the competition transferred, left voluntarily, or retired. Moreover, GAO and OMB studies concluded that competition often enhanced management controls, as government employees were able to establish firm performance standards and ensure the final product met contract specifications. GAO reasoned that because “an outside agency” monitored contractor activity, eliminating possible conflicts of interest from self-policing government agencies made additional savings possible.<sup>12</sup>

The lack of long-term, comprehensive studies makes it difficult to evaluate either position. The evidence available simply does not support the cost efficiency of the current system of contracting *during wartime or operations other than war, especially for extended operations*. Americans configured the current force structure for the peacetime conditions anticipated after 1991. The decision to reduce US military forces and to rely on contractor support for contingencies did not account for the security needs of the post-Cold War world. OIF and OEF were unimaginable. A great deal of experience from these recent conflicts has yet to be distilled into coherent lessons learned; however, studies from Bosnia illustrate potential problems. The GAO notes the “Army Should Do More to Control Contract Cost in the Balkans” and suggests the “Need to Strengthen Guidance and Oversight of Contingency Operations Costs.”<sup>13</sup> Additional research observed significant challenges to the overall efficiency of the contracting process, including long-term readiness, cost increases, and in some cases, poor quality of work or nonperformance.<sup>14</sup> Increasingly, government

policies impede competition, provide complex and conflicting regulations (military doctrine), problematic contractual arrangements, hidden costs, and fiscal abuse. Stated more succinctly, savings derived from theory and estimates do not always translate into actual savings.

Current doctrine requires careful attention to the statement of work (SOW) and other terms of each written contract. However, DOD's Inspector General recently observed that out of 113 service contracts written in 2003, "at least 98% had one or more problems."<sup>15</sup> Historically, cost-plus-percentage-of-cost contracts create few incentives for fiscal responsibility as the company's profit increases in direct proportion to operational costs. Makinson's study maintained that fully one-third (of dollar amount awarded) were cost-plus instruments.<sup>16</sup> Contingency contracts with open task order capacity also have the potential for cost overages and fiscal abuse. Several members of Congress recently expressed concern that the Coalition Provisional Authority in Iraq awarded 10 cost-plus indefinite-delivery/indefinite-quantity contracts worth \$5.1 billion to a single contractor.<sup>17</sup> The GAO noted that the Army frequently failed to consider costs when acquiring additional contracted services, and did not validate the necessity of recurring charges.<sup>18</sup> Nevertheless, contingency contracts with open task order capacity are common.<sup>19</sup>

Three important elements determine the degree of successful outsourcing: competition, clear and consistent policy, and appropriate levels of management and supervision. Undersecretary Gansler identified competition and performance incentives as the critical elements, with two caveats: competition must "focus on best value, rather than simply low cost" and the competition process needs "improvement."<sup>20</sup> Although policy supports these elements in theory, complex social and political priorities and regulations impede competitive bidding. Manpower shortages and the lack of trained personnel prevent oversight. As a result, some investigations revealed that more than 60 percent of recent Pentagon contracts were not awarded on a competitive basis.<sup>21</sup>

No-bid contracts can eliminate cost savings, particularly if the contracting agency fails to conduct a cost benefit study. Competitive bidding is a lengthy and complex process, often limited to a few companies that retain the necessary capability and experience. In the aftermath of the September 11, 2001, tragedy, time constraints required immediate action. In addition, political factors can obscure other considerations. Under a program administered by the Small Business Administration (SBA), many minority-owned companies are eligible for preferential bidding procedures. Recently, DOD awarded several no-bid contracts to an Alaskan

native-owned company who then partnered with multinational conglomerates Wackenhut and Vance International to provide security to the United States Military Academy at West Point, the US Army War College, and nine other military installations. Army spokesperson Jerome Kelly credited expediency and performance as the deciding factors, although legislation provided the opportunity to submit some bids without competition or a cost-benefit study. A reporter noted, “This circumvented a mechanism that was supposed to help ensure that privatizing would save money.”<sup>22</sup> The security contracts awarded to Alutiq-Wackenhut were reportedly worth up to \$500 million—no trivial sum.<sup>23</sup> Circumventing the competitive process eliminates the justification for privatization.

Indirect or hidden costs also detract from projected savings. FM 100-10-2 explains, “As the use of contractors in contingency situations increases, the Army assumes increasing responsibility to feed, house, equip, and protect contractor employees operating on the battlefield, including predeployment training and TPFDD.” The obligation of support extends, in practice, to American allies and coalition partners; this broad reading of the field manual renders earlier estimates immaterial. FM 100-10-2 recognizes this difference in theory and “practice, [where] US forces often provide unique support to other participating nations, or to contract in nations with business practices that differ markedly from those in the US.”<sup>24</sup> The presence of a number of contractors performing multiple tasks at several locations may force commanders to change plans or use additional intelligence assets to locate and track the movements of contractors and their employees. AR 700-137 observes, “The need for the extension of security management to the contractor will result in an additional cost.”<sup>25</sup> Management of contractors requires additional military specialists (or contractors) to provide oversight for the contracted projects. Makinson asserts, “The Pentagon has even hired contractors to advise it on hiring contractors.”<sup>26</sup> These concerns justify conducting a more comprehensive analysis that identifies miscellaneous costs and updates estimates.

Inadequate supervision of contractor projects can encourage a host of added costs—budget overruns, fiscal abuse, and poor performance that translates into an increased risk for soldiers. Congressional committees, Army regulations, and government review agencies acknowledge a chronic lack of accountability. FM 3-100.21 notes: “Contractor accountability has been, and continues to be, a significant challenge to command at all levels.”<sup>27</sup> Members of Congress acknowledged their concern that the Iraqi Coalition Provisional Authority had awarded seven program management contracts to private companies—contractors managing contractors—and



prescribed clear recommendations. Referring to the practice as “potentially troublesome,” House Committee members deemed that contractors should not fulfill “inherently governmental functions” and should be used only when federal employees were unavailable. Moreover, contractors were appropriate choices only when the contractor had no conflict of interest or the appearance of a conflict with the contractors they manage.<sup>28</sup> These three expectations are highly unrealistic, especially given current military staffing levels, particularly in administrative positions, and the large number of contractors operating in the field. The number of military acquisitions specialists has decreased by as much as half in recent years. Consortium arrangements and corporate affiliations and structure (large corporations who own smaller specialized subsidiaries) increase the likelihood of at least a strong appearance of conflict of interest within the PMC community. Thus, as contractors replace government employees and assume many military staff positions, even fewer regular military and DA or DOD civilian personnel become available. Subcontractors are an additional step removed from government supervision and accountability and bring additional interests and conflicts to the force mix. A recent example involved an alleged Russian illegal arms trafficker who earned millions of US taxpayer dollars as a subcontractor in Iraq, although the Treasury Department had frozen his assets and barred him from eligibility for US contracts.<sup>29</sup>

The GAO has identified a number of other problems with Army contract procedures. They noted “confusion over the government’s authority under the contract,” inadequate training of military personnel, and frequent personnel rotations as chronic problems in military operations in the Balkans, concluding that the Army “could do more to control costs.”<sup>30</sup> Moreover, the GAO pointed to more than \$101 million of questionable expenditures in 2000 and 2001, which they attributed to limited guidance and oversight, “combined with a lack of cost-consciousness.”<sup>31</sup> Decentralized procurement led to duplications and waste. GAO’s studies alleged that poor accounting procedures made a determination of actual costs and compliance with regulations, such as the 50-percent limitation on maintenance performed by contractors, difficult. They concluded that “Continuing weaknesses in DOD’s data gathering, reporting processes, and financial systems” made service reporting “rough approximations” rather than accurate documentation of compliance with the law.<sup>32</sup> Some military commands requested waivers to release them from this legal requirement.<sup>33</sup> When the US government declines to follow its own regulations, contractors have even less incentive to do so.

Government watchdog organizations and mainstream journalists have been critical of the current system's vulnerability to fiscal abuse, and note that given the current level of decentralization, the right hand may not know what the left hand is doing. One can open the daily newspaper or visit any investigative news Internet site to discover a number of charges of fraud, mismanagement, and waste. A well-worn charge attempts to make political connections between Halliburton's rapid earnings growth—up to \$4.3 billion in fiscal year 2003—and Vice President Richard Cheney. Halliburton's acquisition of no-bid contracts and alleged over billing by as much as \$1 million fuels accusations.<sup>34</sup> The Center for Public Integrity maintains that the Defense Department awarded half of Halliburton's contracts on a noncompetitive basis. Auditing by the GSA uncovered widespread agency violations within the Federal Technology Service (FTS), an agency that offered contracting services to DOD.<sup>35</sup> At the time of the investigation, the Defense Department was the largest customer of FTS. In response, Pentagon officials announced new initiatives to correct the improprieties.<sup>36</sup>

Several projections support the benefits of competitive sourcing—the cornerstone of the Bush Administration's model of efficiency; however, the complexity of government policies, time constraints, and specialized interests continue to impair economic competition. While incentives, outsourcing, and privatization may be efficient management tools for private business, officials have yet to translate them into effective management tools for military operations. Peacetime contracting, rather than implementing a national draft, may pay more dividends and contracting during war may pay fewer dividends unless carefully managed and resourced. Contractor management in OIF and OEF is, at best, minimal, and public support may erode as charges of waste and fraud continue. An extremely broad definition of nongovernmental functions and the theory that private interests are always more efficient resource managers are limiting and sometimes false assumptions. In sum, privatization builds on assumptions that may not have universal application and actual practice may not mirror initial estimates, unless they continually incorporate significant feedback. More importantly, however, the most efficient use of our economic resources may risk military effectiveness.

The integration of PMCs as a greater percentage of the force mix can directly impact military capabilities. Leaders must consider how the fundamental characteristics and philosophical differences of organizations guide their actions on the battlefield. National strategies determine military priorities, and clear guidelines for appropriate theater command,

authority, and responsibility are necessary to resolve command and control problems on the battlefield. Doctrine must be clarified, deconflicted, and consistent. Military leaders are responsible for documenting the linkages, negative or positive, between contracting and the maintenance of military capabilities.

Military and corporate strategies illustrate that significant differences form the underpinnings of business and military cultures. Recently, Acting Secretary of the Army Les Brownlee and the Army's Chief of Staff General Peter J. Schoomaker described Army culture as "one of selfless service, a warrior culture rather than a corporate one."<sup>37</sup> Brownlee and Schoomaker stressed the importance of structuring a "Campaign quality Army with Joint and Expeditionary Capabilities," defined by its ability to "sustain those operations for as long as necessary." Halliburton defines their vision as "Leading the world in integrated energy services, energy equipment, engineering, construction, and maintenance. Supported by four key goals: Technological Leadership ... Operational Excellence ... Innovative Business Relationships ... [and] Dynamic Workforce."<sup>38</sup> Even though the warrior culture is an ideal, and profitability and excellent service are not mutually exclusive, philosophical differences could make integrated action difficult. These conflicts warrant careful consideration when attempting to meld the two organizations into one effective force.

Army policy and commercial activity also have the potential to develop conflicts of interest. Critics charge that when the US military employs private entities to write Army regulations and field manuals, the relationship constitutes a conflict of interest, particularly when the contractors earn business based on their specifications and procedures. The first company awarded the logistics civil augmentation program (LOGCAP) contract, Kellogg, Brown, and Root, also wrote AR 700-137. PMCs wrote both Army field manuals explaining the use of contractors on the battlefield. Indeed, the opening paragraphs of each document read somewhat like an advertising brochure. FM 3-100.21 notes, "to reach a minimum of required levels of support, deployed military forces will often *have to be significantly augmented* with contractor support" (emphasis added).<sup>39</sup> Moreover, FM 100-10-2 observes, "To bridge the gap before scheduled resources and CSS units arrive, or when other logistical support options do not provide the supplies and services needed, the Army is turning more frequently to contracting support...."<sup>40</sup> As commercial organizations, contractors strive for a reasonable level of profit, which generally depends on other corporate obligations, opportunities, and market factors. Military organizations have no expectation of profit and a single priority of national service. If the

US military relies too heavily on contracted support, Congress may face the possibility that the business climate, rather than national interest, will determine the nature (and the costs) of foreign policy.

Military effectiveness is a product of national defense politics, which produces the leadership, personnel, material, and strategic resources with which military institutions maintain combat effective forces for the nation's defense. Combat effectiveness, in turn, includes several components that impact personnel generally at the operational and tactical levels. For enlisted personnel, these concerns center on training, discipline, and mental and physical conditioning. Officers require an educational system that promotes a broad understanding of the application of military power, in addition to tactical, logistical, leadership, and management expertise. Military leaders must perceive the nature of the threats, shape operational strategy, and accurately estimate the resources necessary to accomplish their goals. The resulting policies and regulations address coordination of joint and multinational forces, force rotation, group cohesion, training, performance, and all aspects of military competency.<sup>41</sup>

The highest level of this political process consists of national strategy, which defines the priorities and responsibilities of governmental agencies. The National Security Strategy, released by President George W. Bush in 2002, sets a standard of "American internationalism that reflects the union of our values and our national interests ... [including] political and economic freedom, peaceful relations with other states, and respect for human dignity." A critical peg in accomplishing that strategy is to "reaffirm the essential role of American military strength ... to defend the United States."<sup>42</sup> National policy, then, sets high standards for military effectiveness. Without a clear focus on this critical element, other political, social, economic, and individual interests can complicate the decisions leaders make concerning the Nation's military power. These factors are particularly relevant given the nature of defense spending as a discretionary budget item.

In addition to the goals of the president, the National Military Strategy identifies the military priorities necessary to accomplish national strategy. In 2004, Chairman of the Joint Chiefs of Staff Richard B. Myers articulated a strategy of protection that includes prevention of attacks and the ability to prevail over enemies.<sup>43</sup> In addition, Myers set three priorities, "win the War on Terrorism ... enhance our ability to fight as a joint force ... [and] transform the Armed Forces." Other key phrases include the importance of persistence, readiness, adaptability, and the maintenance of "substantial military capability." Moreover, Myers set

projected readiness goals as “a force sized to defend the homeland, deter forward in and from four regions, and conduct two, overlapping ‘swift defeat’ campaigns.” The strategy also requires an “‘active defense-in-depth’ that merges joint force, interagency, international nongovernmental organizations, and multinational capabilities in a synergistic manner,” and sets high standards for rapid deployment.<sup>44</sup> Although fiscal responsibility is an unwritten expectation, neither the National Security Strategy nor the National Military Strategy prioritizes budget concerns. In other words, the Nation expects a military that can accomplish missions rather than the best military they can afford.

These priorities could be difficult to sustain given the current level of dependence on contractor support. FM 100-10-2 mentions some of the risks associated with use of contractors to mission completion: they “aren’t soldiers; they might refuse to deliver goods or services to potentially dangerous areas, or might refuse to enter a hostile area regardless of mission criticality,” thus, “contractor support is not always the proper means to support the mission.”<sup>45</sup> Commanders must plan for the eventuality that regular forces may be necessary if contractors do not fulfill their duties. AR 700-137 reiterates this inherent risk: “their [contractor] performance cannot be accurately predicted.”<sup>46</sup> The duplication of effort is a distraction from the mission. Moreover, contractors and their employees may interact unfavorably with local populations, governments, or commercial firms, thereby causing damage to US reputation and political objectives. It is difficult to plan for contingent military operations, as they often hinge on the enemy’s reactions; it may be impossible (or at least expensive) to plan for unexpected deployments and contingency operations when contractor support may be unreliable. Additionally, the tools the commander employs to guide his decisions—doctrine—may merely be a blunt instrument.

The complex system of doctrine and regulations that govern military contracting includes ambiguous and conflicting guidance, unrealistic goals, and conflicts of interest. Current doctrine fails to address adequately the planning, training, and integration of contractors into the military force mix. Initial regulations made provisions for contracted services during emergencies and rapid deployments. The 1985 LOGCAP contract was to “preplan for the use of civilian contractors to perform selected services in wartime to augment Army forces.” The purpose of the contract was to “‘identify support and program force requirements that can be accomplished with an acceptable level of risk....”<sup>47</sup> As the need for contracted services increased in proportion to the number of deployments throughout the 1990s, the ability to add additional tasks onto LOGCAP began to alter

the role of contractors on the battlefield. In 1997, the Department of the Army released a policy memorandum to “provide a consistent and uniform policy on the use of U.S. contractors to augment the support of U.S. Army operations.” The policy defined the role of contractors as “effective Combat Service Support force multipliers” and identified the battlefield as a legitimate, although temporary, area of contractor support. Additionally, the memorandum established the contracting officer or his designated representative as the “liaison for monitoring contractor performance”; this determination removed the ability to exhibit command and control over contractors from the military chain of command. The memorandum’s writers concluded, “contractor employee protection during MOOTW will depend on the specific circumstances of an operation.” Although the policy had attempted to establish clear roles and responsibilities, many aspects of the relationship remained unclear.<sup>48</sup>

Thus, a dual chain of command and responsibility governs PMCs. While contractor employees remain outside the military chain of command, commanders retain responsibility for “the physical and spiritual quality of life for the contractor’s workforce.”<sup>49</sup> The terms and conditions of the contract determine what the contractor will do, with the contracting officer or the contracting officer’s representative acting as liaison between the military chain of command and the contractor’s corporate authority. This creates a labyrinth of channels that field commanders must breach when conducting operations in areas with contractor support. Moreover, the visibility of contractor units is often poor, which can lead to a critical lack of communication and a high degree of risk to the surrounding (civilian and military) units.<sup>50</sup> Field manuals, Army regulations, and other guidance suggest that military units should fully integrate contracted units into their force structure. At present, contractor involvement in the planning and training phases of deployment is minimal. Continuing feedback from OIF and OEF will determine the scope, practical effect, and added costs of this complex chain of command. FM 3-100.21 recognizes contractor accountability as a “significant challenge to command at all levels.” Security violations, theft, and deliberate sabotage are potential risks, when the field commander has a number of disparate units incorporated into his or her force structure. Initial doctrine dictated the prudent use of American contractors; however, from 1998 to 2003 at least 100 foreign owned corporations worked for the DOD.<sup>51</sup> FM 3-100.21 admonishes officials to employ local contractors “from the antiterrorism perspective,” yet many critics of OIF and OEF excoriate the US military for failing to hire local workers.

The current bifurcated chain of command can obscure authority, either military or contractor. The Army policy of buying capabilities (equipment and the personnel to maintain performance and operation), rather than the traditional practice of buying equipment and providing the staff to carry out operations, creates overlapped responsibilities and duties where military personnel may perceive their role as subordinate to contractor authority. The GAO recently reported, “there is confusion over the government’s authority under the [Balkans Support] contract.”<sup>52</sup> Contractors who provide dining hall services may set hours of operation or other rules that may conflict with military duties. When military units work alongside contractors, it has sometimes proven difficult to determine the relationship and responsibilities of each group.

The confusing role of contractors prevents a clear-cut definition of military core competencies and the application of a consistent management strategy. Other important differences exist between these public and private organizations. Business managers strive for control of the entire production process that includes material, labor, transportation, and marketing costs, while the military commander is decidedly less able to manipulate the “fog of war.” Government services focus on national strategy goals, while private military companies stress profit. Thus, differences in the work environment, focus, and nature of the services provided separate the public and private spheres of military support. These differences may preclude “one size fits all” management. Currently, the role of contractors on the battlefield has few boundaries.

Thus, while a number of important considerations contribute to military effectiveness and define military capabilities, the current system of providing manpower and material resources for military operations is problematic in several respects. Regulations and doctrine are complex, sometimes unrealistic and conflicting, and ambiguous. A host of complicated business and political interests heavily influence the process. Military effectiveness is only one of a number of goals that determine resource levels—it should be the primary determinant. Business, political, and military leaders must reevaluate the process to assure that it derives from a compelling national interest and that it is doable within the resources that Congress is willing to provide. In addition, legal ambiguities and inconsistent application of US regulations and law make American foreign policy goals and the projection of military power even more difficult.

Leaders must clarify the individual and contractual legal status of PMCs. Are their employees combatants or noncombatants, civilians authorized to accompany the force or mercenaries, extralegal or responsible

to political and fiscal authorities? Historically, all persons not involved in actual military operations or direct support of military operations were noncombatants—civilians authorized to accompany military forces in the field. Current regulations clearly indicate that military personnel will not ask contractors to perform duties that may jeopardize their legal status; however, there are few boundaries imposed on contractor activity or the location of their work. The Geneva Conventions (1918) and Hague Resolutions (1907) that generally determine the legal status of individuals may not apply during military operations other than war (MOOTW) and are invalid with combatants who are neither signatories nor recognized political entities. Status of Forces Agreements (SOFAs) define the legal status of American forces on foreign soil; however, the current Global War on Terrorism (GWOT) is not a conflict between recognized political entities. Increased integration of contractors in planning, training, and execution (living with and being supported by regular units) may lead enemies to conclude if civilians plan like soldiers, train like soldiers, and live and work like soldiers, they are soldiers. Even more tragically, enemies and allies alike may consider non-uniformed support personnel captured on the battlefield guilty of the crime of perfidy—“conducting hostilities in civilian attire.”<sup>53</sup> In practice, the principle of distinction—the line between paramilitary operations and contractor support—has become so blurred that the US may be violating international laws of war.<sup>54</sup> Certainly, the US loses the moral high ground by refusing to define contractor roles clearly and to recognize the same from their foes.

There is also the risk that the contractors become extralegal, in effect, subject to few, if any, local authorities. Contractor employees are not subject to the UCMJ, and US law does not generally apply to Americans on foreign soil. Congress attempted to correct this defect in jurisdiction with the passage of the Military Extraterritorial Jurisdiction Act (MEJA) in 1999, which extends US law to deployed civilians. There are a number of difficulties attached to the enforcement of MEJA, not the least of which is the authority to gather evidence in foreign jurisdictions, and to date the law has produced no convictions.

Two recent scandals are prominent examples of the implications of lax authority: the possible violation of Army policy and the difficulties posed in prosecuting contractor employees. In Abu Ghraib prison, contracted employees worked alongside regular military units performing similar roles in the interrogation of prisoners, despite an Army memorandum defining intelligence as an inherently governmental function.<sup>55</sup> While investigators continue to examine the details of the scandal fully,



the US Department of Justice has yet to charge contractor employees with criminal activity, even though the DOD has obtained convictions of military personnel under the UCMJ.<sup>56</sup> A previous scandal involved contractor employees who allegedly engaged in illegal purchases of weapons and sexual slavery in Bosnia and resulted in the dismissal of the two employees who reported the atrocities.<sup>57</sup> Writer Colum Lynch concluded that the allegations and resulting Army investigation “raise questions about the accountability of contract workers who engage in criminal activities while conducting business for the government.” Lynch also quoted a statement issued by the company spokesperson: “There is no jurisdictional authority to prosecute American civilians for crimes committed on foreign soil.”<sup>58</sup>

Critics allege the US Justice Department has adopted the view that they lack jurisdiction over contractual violations in Iraq, as the contracts are agreements between the Iraqi Coalition Provisional Authority and each commercial entity, many of which are established multinational corporations and owned by non-US citizens.<sup>59</sup> Taken together, these concepts suggest that the US would like to believe it could wage war with a shifting and flexible doctrine that leaves key terms open to individual interpretation.

Current Army regulations and field manuals provide poor definitions and guidance regarding the meanings of key points of responsibility. Commanders “assume the responsibility to protect contractor personnel,” although the level or degree of protection is unclear.<sup>60</sup> Does the commander guarantee physical safety in combat areas, or does this mean he will not allow contractors to enter areas where combat is likely? While Army policy does not permit civilians to perform any activity that would risk their noncombatant status, the mere presence of civilians on the battlefield risks the possibility that they “may be subject to hostile action,” and that the protections of international law may not apply.<sup>61</sup> The issue of risk (to mission completion, regular forces, and contractor employees) is equally vague. LOGCAP describes its purpose as to “identify support and program force requirements that can be accomplished with an acceptable level of risk.” AR 715-9 notes that contractor support services “are not suitable in all situations.” Stating these regulations in a negative (what is not suitable, rather than what is appropriate) is decidedly less than clear direction on a matter of crucial importance.

Traditionally, contractors conducted their activities where combat was less likely; regular forces often replaced civilian employees when combat became imminent. LOGCAP contracts specify the operational boundaries for contractor personnel as “Normally ... not ... forward of the brigade support area.”<sup>62</sup> However, recent regulations are more ambiguous:

“Commercial contract personnel may be employed in Areas of Operations (AO) as required ... as far forward as needed, on a temporary basis, consistent with the terms of the contract and the tactical situation.”<sup>63</sup> This policy is a critical change in the traditional role of contractors in military operations; in addition, it changes the very nature of the expectations of the military force mix.

The relevant manuals attempt to bring clarity to the confusion. AR 715-9 “Establishes Army policies and responsibilities for using contractors on the battlefield,” and focuses on the management of US citizens deployed to provide support to regular army troops.<sup>64</sup> Moreover, FM 100-10-2 “is designed to assist ... Army logisticians and their staffs in identifying requirements and planning to facilitate procurement of goods and services on the battlefield.”<sup>65</sup> FM 3-100.21 further defines contractor roles, describes their relationship to Army commanders, and “present[s] their mission of augmenting operations and weapon systems support” as an “added resource” for the commander. The manuals presume the presence of contractors in military operations and provide a rationale—almost an advocacy—for their extensive and continued use, particularly in forward positions. Over the span of 18 years, then, the purpose of private military companies ranged from providing “selected services in wartime” (LOGCAP) to almost any activity to support military operations.<sup>66</sup> The key phrase “in operations-other-than-wartime” (AR 715-9) replaced “during wartime and unforeseen military emergencies” (AR 700-137). In 2003, FM 3-100.21 noted that “Army Service Component Commands (ASCC) will undertake measures necessary to outsource” with the primary determinants being “voids in force structure” and “appropriateness of the function” performed under contract.

In late 2000, Assistant Secretary of the Army Patrick T. Henry outlined acceptable exemptions to the policy guidelines presented in FM 3-100.21. Henry’s memorandum determined that intelligence gathering at the tactical level was an “inherently Governmental function barred from private sector performance.” Exemptions also applied, Henry maintained, at the operational and strategic levels on the basis of “risk to national security from relying on contractors to perform this function.” Henry justified his determination based on the loss of specific organic capabilities, reduced oversight, and the increased possibility of foreign interference.<sup>67</sup> However, recent scandals brought to public attention the fact that several corporations currently provide such interrogation services, most notably at Abu Ghraib prison.<sup>68</sup> Such conflicting and inconsistent legal guidance thwarts American military efforts.

The greater percentage of PMCs providing military services formerly performed by uniformed personnel or DOD civilian employees can have profound consequences for the larger interests of society. The resource process does not operate in a vacuum, nor is it far removed from American society. Socio-economic factors also figure prominently in the determination of an appropriate force mix. Often, military effectiveness depends heavily on the issues of civil-military relations, psychological exhaustion, training and educational benefits, and personnel management.

PMCs can destabilize the traditional civil-military relationship. Singer identified several conditions where PMCs will have a negative impact: the pay differential for similar tasks favors contractors, private forces detract from the reputation of the local military, contractors remain segregated from regular units, employment of PMCs impairs advancement opportunities or has authority over military units, and where private forces threaten to replace uniformed military personnel.<sup>69</sup> While current policy advocates a seamless integration of military and contracted personnel, training, pay differential, and other factors may upset the balance of military and civilian interests.

Several of the factors identified by Singer as destabilizing influences exist in current deployments. Contractor employees can receive higher pay and more generous benefits for similar work. The yearly base pay for an Army specialist or corporal with more than four years of experience is \$21,769, while civilian truck drivers can earn \$80,000 to \$100,000 annually.<sup>70</sup> Blackwater USA compensates private security contractors in the range of \$450 to \$800 per day.<sup>71</sup> The first \$80,000 of civilian pay is nontaxable if the employees meet certain “days in-country” requirements, while soldier bonuses (combat pay) are tax free. Civilians also retain the right to resign whenever they feel uncomfortable with their working conditions, a luxury not generally afforded to military personnel. One civilian driver recently claimed that only three employees remain from his original group of about 20.<sup>72</sup> Pay differentials may eventually lead to lower levels of retention (as enlistments expire, former soldiers may opt to work for contractors) and the necessity of higher bonuses (enlistment and retention) and hazard pay. Reductions in the military force and the proliferation of PMCs translate into fewer promotion opportunities and the eventual elimination of many uniformed positions. Moreover, a recent DOD review of 32,155 positions identified 9,500 additional positions that were “candidates for military to civilian conversion.”<sup>73</sup> Unequal economic advantages and sense of well-being—especially when regular military units provide security for contractor convoys, essentially taking more risk for less pay

and less job security—can be extremely detrimental to soldier morale.

Moreover, a combat-heavy military may detract from the prestige of national military service, discourage some from a military service career, and impair public support for military operations. Policy makers and leaders must consider the possible consequences of the current trends in contractor support on the long-term health of the military services, although, at present, the facts to conduct such analyses are sketchy. Current bonuses include lump-sum payments of up to \$15,000 for immediate deployment to the active combat areas of Iraq and Afghanistan.<sup>74</sup> Rising bonuses indicate recruitment deficiencies in dangerous positions—possibly resulting in a downward spiral—with escalating bonuses necessary for what may become a less qualified applicant pool.<sup>75</sup> Early in 2005, the military announced a more lucrative system of bonuses offered to many Special Forces troops to improve retention.<sup>76</sup> The American public may well question the moral aspects of encouraging combat specific positions, which may result in a loss of support and confidence in military organizations. In addition, using American soldiers exclusively to provide combat “tooth” is a curious irony to historical precedent, where nations often hired foreign nationals for some of their most dangerous fighting. Officials must examine the long-term consequences—military readiness, morale, public attitudes, and other issues—before continuing on the present path of routine contractor support.

One such consequence concerns the future American workforce. The military has long served as an acceptable avenue for noncollege bound high school graduates (for personal or financial reasons) to receive employment opportunities while earning benefits, such as college tuition or vocational training. The Army offers enlistees opportunities to “earn professional and trade certifications, which will give you specialized skills and help you in a civilian career” in addition to education and veterans benefits and other educational programs such as “Troops to Teachers.”<sup>77</sup> Many individuals, even those serving short enlistments, consider military experience and educational opportunities extremely valuable to their personal growth and future. Sociologists, as well, have documented the benefits of this training by noting the increased earning potential of most veterans over their nonveteran contemporaries with similar levels of education and training. Moreover, providing young adults with opportunities to earn their education or training will benefit society by producing a skilled American workforce. Soldiers also serve as goodwill ambassadors and accrue enormous personal and international benefits from their contacts with other cultures and peoples. Some of the most poignant photographs from OIF and OEF

illustrate the value of these experiences more adequately than words. Military service during World War II had a similarly profound effect on postwar society. Other service programs, including Americorps and the Peace Corps, serve comparable objectives and allow a select group of civilians to earn educational benefits while working on national and international community service and development projects.<sup>78</sup> US Secretary of State Dr. Condoleezza Rice recognized the increasing need for such civil affairs personnel in her confirmation hearings before the US Senate.<sup>79</sup> This potentially valuable avenue of service to the nation should not be wantonly disregarded in the single-minded pursuit of cost efficiency or through a misunderstanding of the nature and the variety of roles that today's soldiers fill. The current trend toward a smaller percentage of the total US population with military experience also serves to further isolate the military community from the larger society they serve.

In restructuring military forces to be more combat oriented, care must be given to maintain the psychological and physical well being and the combat effectiveness of each individual. This is even more relevant to the US Army and Marines because they often bear the brunt of close combat. Military service requires strong physical and psychological resolves, and a certain number of psychological as well as physical casualties occur from deployment and combat stress even during nonmilitary operations. Research by G.W. Beebe and J.W. Appel established 88 days of combat as the average psychological "breaking point."<sup>80</sup> Other studies determined that 60 days of combat were sufficient to produce psychiatric casualties as high as 98 percent of all surviving soldiers.<sup>81</sup> Psychologists came to understand that combat fatigue—or post-traumatic stress disorder, nostalgia, or shell shock—was a function of the intensity of combat, the duration, and the quality of social support, both in the unit and when soldiers returned to society. Some research indicates that under certain conditions the exposure to combat needed to become a psychological casualty could be cumulative rather than consecutive.<sup>82</sup> All this adds up to a certain number of maximum days in combat or extremely stressful situations that military personnel can endure before becoming combat ineffective, at the very least, without costly and extensive treatment for symptoms.<sup>83</sup>

As the services restructure to incorporate more "tooth," this can have important implications for the military as a career. Reasonably, we can conclude that each individual has a variable, but finite, number of days, weeks, or months that he or she can endure combat, particularly close order combat, or extremely stressful situations before becoming combat ineffective. Grossman concluded, "in this century ... our physical and

logistical capability to sustain combat has completely outstripped our psychological capacity to endure it.”<sup>84</sup> Continual deployment has adverse effects on the family and extended support systems of the soldier, which may contribute to broken homes and resignations. This could create a vacuum in experienced and properly trained personnel as a military career becomes less desirable.<sup>85</sup> An additional concern is the aging of the current pool of employees with military skills, so prominent in the current contractor workforce, when regular military units do not grow and maintain capabilities.

The current use of contractor support, from historical and practical perspectives, includes elements from the worst-case scenarios. No-bid and cost plus contracts thwart the very competition and financial incentives the government hoped to benefit from by using PMCs. The lack of oversight and visibility of the contracting process encourages fiscal abuse and poor performance. Taken together, these factors make it difficult to establish the cost efficiency of the current system of military contracting. Moreover, evidence suggests military effectiveness is impaired by a growing dependency on contractor support, a lack of command authority over contractor personnel, and the unclear boundaries between private and public (military) organizations. The very real change in the civil-military relationship presented by the overuse of contractor support and the social consequences of war without public mobilization detracts from a consistent national foreign policy and national security. The roles of the public and private spheres in government have intertwined so completely that a complex, and often vague, body of regulations is inadequate to untangle them.

Although the previous discussion is somewhat speculative, it raises important questions for further study. A few certainties, however, emerge from the discussion. Political and military leaders must clearly define the role of contractors—the nature of the work they are allowed to perform and the legal and geographical limitations of civilians on the battlefield—and the core competencies of the military services. The legal status of contractor employees as noncombatants must be firm, and the US government must resolve the ambiguity of contractual and criminal jurisdiction when American taxpayers foot the bill. Strategy, not politics, must determine the resources provided to the military and adequate policies put into place to assure accountability of both the military service commands and contractors. Reforms and competition must truly guide competitive sourcing if the goal of cost-efficiency is to be reached; but there will also be an inherent cost to society if the US continues on its present course. Officials

must address the impact of the current system on civil-military relations, particularly those identified by Singer as negative influences. Leaders must carefully consider the psychological limits of endurance of frequent combat and repeated deployments, and weigh the costs of military experience and education against the potential benefits. Military effectiveness is really the bottom line, and the evidence indicates that this is where several factors intersect: ideologies of the cost-effectiveness of privatization, a factionalized political process, but perhaps most of all, a nation that believes it can go to war without full mobilization of its citizens and economy. In this respect, the ghosts of the past still haunt us; from Korea, Vietnam, DESERT STORM, and the end of the Cold War, Americans learned to rely heavily on foreign labor, conduct limited war as inexpensively as possible, and that PMCs could serve certain political objectives.

## Notes

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## Chapter 5

### Conclusions

Private military companies will continue to play an important role in US military operations. Contractor support on and off the battlefield is increasingly more visible and commonplace. Private resources assist the military in meeting global security voids created by recent political and economic restructuring and enable US forces to address foreign policy goals with a reduced force structure. Moreover, complex technology requires manufacturers to provide training and maintenance support for their products. To enhance the new emphasis on efficiency, military planners now utilize the tools of business management and adapt outsourcing and planned production and delivery to meet their needs on the battlefield. The demand for paramilitary services and the ample supply of PMCs willing and able to provide a variety of services on an international level is a mutually reinforcing trend that will continue for the foreseeable future.

An increasing reliance on PMCs to conduct US military operations since the close of Operation DESERT STORM in 1991 has altered significantly, some would say irrevocably, the American way of war. Private contractors currently replace uniformed service members in many functional areas. Civilian contractors routinely perform staff work, develop educational curriculum materials, and write field manuals and other regulations. Umbrella contracts with add-on task order capability are common and increase the scope of contractor support. However, the current solution is definitely no magic bullet. Chronic problems include fiscal abuses and nonperformance or poor quality of service. Ineffective management and lack of contract supervision and oversight often lead to cost overruns. Officials frequently ignore lessons learned through painful experience, such as the problematic nature of open-ended cost-plus contracts and the negative consequences of relaxed regulations and institutional safeguards. Challenges to authority on the battlefield can lead to poor coordination and reduced mobility. In addition, a number of legal issues remain unresolved. In large measure, the armed services currently rely on the private sector to provide highly skilled labor, rather than growing and retaining their own capability, with unknown consequences to the future of the force and the nation.

Constructing a force mix designed with military and civilian components is a conscious choice. The well being of military personnel and the society they serve, national security, foreign policy goals, and military effectiveness should be the overarching concerns. This process includes

identifying multiple economic, political, and social factors that impact military capabilities and American society. A rigid faith in privatization to unfailingly produce a positive influence—by reducing the size and cost of government—limits options and assumes that efficiency is the only factor involved concerning the appropriate force structure. Political and social concerns that impair competition, the very fundamental justification for privatization in the first place, emasculate privatization initiatives. Moreover, precedent and logic illustrates that some services, by their very nature, are better left to the public rather than to the private domain. At present, far too many decisions are budget driven when much more than economics is at stake. Military planners are mindful of conflicting goals; taxpayers expect responsible stewardship of resources and the maintenance of mission capability. Soldiers' lives and national security depend on achieving the proper balance of efficiency and effectiveness. Historical evidence suggests that decision makers cannot presume the currently expanding role of contractors on the battlefield is a given for future military operations. If the military services are to retain their mission capabilities, congressional and military leaders must provide adequate resources and implement effective management. Much like lessons learned, the role of contractors on the battlefield is not a static and irrevocable decision, nor is there a constant formula that applies to all scenarios.

This study began with three essential questions that can serve as broad standards to evaluate the use of private contractors on the battlefield. First, do current policies concerning the use of PMCs represent maximum cost efficiency? While ample evidence suggests at least the potential of significant cost savings that project well into the future, the degree of theoretical savings that military organizations can achieve under practical, real-world conditions and restraints remains undocumented. In fact, the record reflects much evidence indicating that cost projections and mission requirements are frequently inaccurate and cost overruns are more common than on-target or below budget predictions. Thus, no clear answer emerges. Much work remains to be done to establish the viability of actual monetary savings. More importantly, however, cost-efficiency is irrelevant if the end result detracts from military effectiveness.

The second relevant question requires a consideration of the complex relationship between the social, economic, and political aspects that contribute to military capabilities. Does the use of private contractors in the current environment contribute to military effectiveness? The present military force structure shows signs of fatigue and instability that indicate the overuse of contractors may detract from overall military effectiveness

and capability. Certainly, PMCs contribute skills that can be costly to acquire and maintain in the military; in addition, significant cost savings can result from a smaller core of military personnel in times of relative peace, while retaining the capability to respond to contingencies. These concepts also conform to the political traditions of smaller government and the traditional distaste for a large “standing army” that are the cornerstones of American government. Theories of business management also point toward the useful aspects of structuring military forces with a mix of private and public assets. However, overreliance on theory rather than practice and private assets rather than public, particularly during prolonged periods of conflict, has no precedent. In sum, PMCs lack the exemplary performance record of American military forces in combat, coordinated action and protection is more difficult, costs rise unpredictably, and legal ambiguity often leads to great personal risks to both contractor employees and military units. Thus, a number of significant risks accrue to the extensive use of contractors on the battlefield. This increased risk detracts from overall military effectiveness.

The third critical question that policy makers must consider is far-reaching and more difficult to assess. Does the current extensive use of private military companies ultimately benefit American society and its citizens? Government managers must consider the potentially significant implications that derive from the increased use of contractors on the battlefield. Americans may do well to consider the social legacy of participation in World War II—the competency and independence women gained in the home and workplace, the educational levels attained through GI Bill benefits, and the affluence that resulted from full employment. It is reasonable to assume the current policy will have a similarly unique legacy. It is too early to identify many of these possible changes; however, a few are clear. The extensive use of private military companies can be disruptive to civil-military relations. More study is necessary to determine the long-term implications of change to the traditional dynamic. The loss of an avenue of national service for young people not bound for college may lead to a loss of prestige for military service. In turn, recruitment and retention may become more costly and difficult as the private sector offers more lucrative employment opportunities for military skills. The psychological cost of more frequent combat engagements is unknown and may be an untenable choice.

Regardless of the merits of contractor support, there are, nonetheless, some clear mandates. The primary concern must be the well being of our most important resources—American soldiers, sailors, airmen, and

marines. Private assets used in the force mix must contribute to military effectiveness—not augmenting, filling, replacing, or becoming the force structure. Retaining the competencies necessary to conduct National Security Strategy, rather than political expediency, cost efficiency, or any other factor or combination of factors, must influence the force structure and determine the resources provided to the US military. Similarly, because American society and its military are mutually reinforcing, leaders must be mindful of the social as well as the financial implications. Ultimately, military policy must benefit American society. Business and political theory cannot usurp appropriate management by responsible and responsive government employees. It has been observed that war is too important to be left to the generals; industry analyst Peter Singer adds that “war is far too important to be left to private industry.”\* Americans cannot abdicate their responsibility to govern—and wage war—wisely.

\*Singer, *Corporate Warriors*, 242.



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