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OUTSOURCING:

AN IMPACT TO READINESS?

by

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14. ABSTRACT

Contractors have been used for the defense of countries throughout history. Historians give us both positive and negative impacts of using contractors. Positive impacts were the support and augmentation they offered to the troops. Negative impacts primarily resulted because of priorities over profit and fear of proximity to the war. Our policies are leading us back to the use of contractors for battlefield support. We have expanded the historical definition and premise for outsourcing to privatization and commercialization. In today?s environment of the end of the Cold War and DoD downsizing, policy dictates more use of commercial products and outsourcing primarily to take advantage of commercial technology and reduce the costs of our weapon systems. It has also forced commanders to use contractors to fill the gaps in force structure. It is important that we understand the environment of the commercial world to best adapt its assets to our defense environment. The DoD is responsible for the security of our national interests. Our citizens pay our defense forces to maintain that security. Because we use our taxpayer?s money to fund our weapon systems, we are obligated to account for that money. We should also be obligated to correlate the readiness impact of this reform initiative. This paper seeks to define potential impacts to combat readiness of using contractors to support/perform battlefield operations. It will present both positive and negative results and recommend a smart use in today?s environment. The structure of this paper will be in accordance with Air Command and Staff College (ACSC) Research Handbook guidelines: Part I: Introduction, Part II: Background, Part III: Issue(s) Analysis, and Part IV: Conclusions/Summary/Recommendations. The scope of the paper will be focused on battlefield operations, those functions that impact our readiness. In doing so, the background will address the definitions of readiness and battlefield operations. The military?s role is changing and so is our concept of battlefield operations. I will also define outsourcing as it too is changing conceptually and practically. I will briefly explore past practices of outsourcing for battlefield operations and primary uses of outsourcing in today?s defense environment. The issues analysis section of the paper will address the complex factors that make answering the research question difficult, if not impossible. Although we have some measures of cost effectiveness of outsourcing, my hypothesis is that we don?t know the impact of outsourcing to readiness because we don?t have measures for it. My summary will include recommendations for further study and scoping of the outsourcing initiatives. We could be making the classic mistakes of incongruity between the military objectives and the national objectives. Our acquisition reform objective of increasing the use of commercial technologies ? the means ? may not be congruent to the ends ? combat readiness.

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Preface

Responsible for acquiring billions of dollars of Department of Defense (DoD) AF weapon system capabilities over the past twenty-plus years, I have been guided and directed by a vast legal and regulation system. That process was meant to ensure the highest quality performance for the operational user and the "biggest bang for the taxpayer's buck." A drastic change in our DoD environment, the end of the Cold War, required that the government reengineer that process or as some may put it, right size. We no longer needed the huge DoD infrastructure. Acquisition Reform resulted in the elimination of the majority of our rules and regulations on how to acquire and sustain weapon systems delivered to our users on the battlefield. It demanded that we take advantage of commercial efficiencies in our private sector. It renewed many past initiatives for giving the private sector tasks that weren't considered inherently government. This required that the government acquisition (to include sustainment) manager think without the long-lived rules and the contractor to think about what commercial capabilities could be integrated into the war-fighting environment. Outsourcing became an initiative for this cause. Unsure of this drastic change in the way we did business, many feared that we were moving too fast, that savings would not be realized, quality and operator capability would be jeopardized, and that the war fighter would be compromised – readiness would be adversely impacted. Let us see where we stand today.

In researching this topic, I would like to acknowledge the tremendous competence of the Air University (AU) staff. Their guidance and support saved me countless hours of futile research.

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Abstract

Contractors have been used for the defense of countries throughout history. Historians give us both positive and negative impacts of using contractors. Positive impacts were the support and augmentation they offered to the troops. Negative impacts primarily resulted because of priorities over profit and fear of proximity to the war. Our policies are leading us back to the use of contractors for battlefield support. We have expanded the historical definition and premise for outsourcing to privatization and commercialization. In today's environment of the end of the Cold War and DoD downsizing, policy dictates more use of commercial products and outsourcing primarily to take advantage of commercial technology and reduce the costs of our weapon systems. It has also forced commanders to use contractors to fill the gaps in force structure. It is important that we understand the environment of the commercial world to best adapt its assets to our defense environment.

The DoD is responsible for the security of our national interests. Our citizens pay our defense forces to maintain that security. Because we use our taxpayer's money to fund our weapon systems, we are obligated to account for that money. We should also be obligated to correlate the readiness impact of this reform initiative. This paper seeks to define potential impacts to combat readiness of using contractors to support/perform battlefield operations. It will present both positive and negative results and recommend a smart use in today's environment.

The structure of this paper will be in accordance with Air Command and Staff College (ACSC) Research Handbook guidelines: Part I: Introduction, Part II: Background, Part III: Issue(s) Analysis, and Part IV: Conclusions/Summary/Recommendations. The scope of the paper will be focused on battlefield operations, those functions that impact our readiness. In doing so, the background will address the definitions of readiness and battlefield operations. The military's role is changing and so is our concept of battlefield operations. I will also define outsourcing as it too is changing conceptually and practically. I will briefly explore past practices of outsourcing for battlefield operations and primary uses of outsourcing in today's defense environment. The issues analysis section of the paper will address the complex factors that make answering the research question difficult, if not impossible. Although we have some measures of cost effectiveness of outsourcing, my hypothesis is that we don't know the impact of outsourcing to readiness because we don't have measures for it. My summary will include recommendations for further study and scoping of the outsourcing initiatives. We could be making the classic mistakes of incongruity between the military objectives and the national objectives. Our acquisition reform objective of increasing the use of commercial technologies – the means – may not be congruent to the ends – combat readiness.

Part 1

Introduction

If contractors leave their jobs during a crisis or hostile situation, the readiness of vital defense systems and the ability of the Armed Forces to perform their assigned missions would be jeopardized.

— DoD Inspector General, 1991
"Contractors on the Battlefield"

Outsourcing and Readiness

Outsourcing DoD readiness – is the DoD negatively impacting its readiness posture by blindly outsourcing government functions? Does outsourcing have an impact to combat readiness? What is outsourcing and what is readiness? According to Webster, outsourcing is the practice of subcontracting manufacturing work to outside and especially foreign or nonunion companies. In today's environment, outsourcing includes much more than manufacturing; it includes services such as engineering, training, supply, and depot maintenance. The Business Executives for National Security (BENS) defines it as "contracting out for certain services and support formerly accomplished with internal resources.[1] AF Policy Directive (AFPD) 38-6 defines it as the sourcing of a new requirement or transfer of an activity that has been performed in-house to an outside provider. Privatization, a term used almost interchangeably with outsourcing, on the other hand, transfers assets or ownership – moving government/public assets into the private sector. AFPD 38-6 defines it as the transfer of ownership of function(s), business assets or both (e.g., government-owned assets) from the public to the private sector.

1

Readiness is a little harder to define. Webster does not have a definition for readiness. Each service's higher headquarters sets the requirements for readiness based upon national security interests and the National Military Strategy. Readiness is comprised of several elements, including personnel, equipment, training, logistics, professional development, and financial resources. Readiness is a continuous measure and defined through the various planning and review processes of the services (as depicted in Figure 1.[2]) Each of these processes provides for each services assessment of their war fighting needs and deficiencies that impact readiness. It is an iterative process. Results of each review (i.e., CINC's assessment of joint enablers, Joint Monthly Readiness Review, Readiness Joint Warfighting Capabilities Assessment, and Chairman's Program Recommendation) impact the Status of Resources and Training System. The assessment of joint enablers is important as a force multiplier in this environment of downsizing and joint warfighting. Outsourcing will be reviewed in this paper as a potential enabler to readiness.
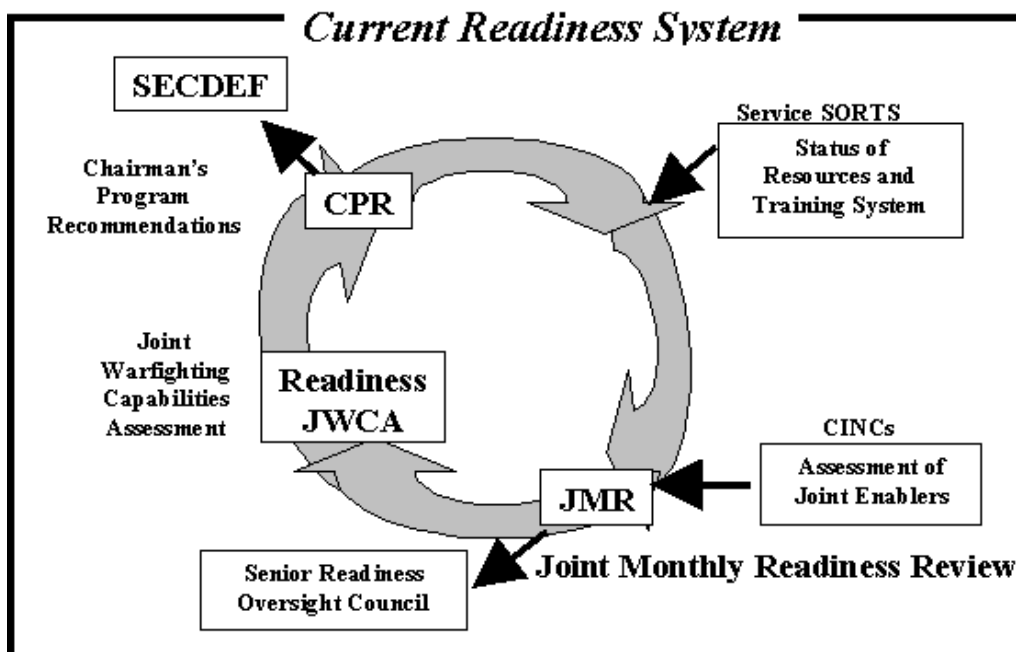
Figure 1. Current Readiness System

Outsourcing is not new to the DoD. In 1966, the Office of Management and Budgeting (OMB) Circular A-76, specified that the federal government ought not compete with its citizens for the right to provide services to the government. It hasn't been since the end of the Cold War and need to downsize our force structure that we have renewed the A-76 intent of giving more government tasks to the private sector. Many people fear we are giving too much of our previously government performed work to contractors. However, it must be understood that the government is still ultimately responsible for the outsourced deliverables to our operational user. For example, AFPD 38-6 states that the Air Force retains full control and responsibility (through service contracts) of the recurring services or functions that are outsourced.[3] We have done quite a good job with the acquisition of weapon systems, relying on "world class" suppliers to build and buy from like suppliers. This paper seeks to measure outsourcing impacts, positive and negative, on combat readiness and provide recommendations on how to most effectively use outsourcing in support of our national military objectives.

Scope

The scope of this paper will be focused on battlefield operations, those functions that impact our readiness. In doing so, Part II will provide background information on the issue/question of interest. It will define/describe the issue and explain why it is of concern. This section will address what is known and unknown about the issue and how my approach will address those knowns/unknowns. Part III will provide a detailed analysis of the issue, past historical trends, current trends, and impact measurements. Part IV will provide conclusions on the negative and positive impacts of outsourcing to readiness and a recommendation for measuring success for future use.

Notes

[1] BENS Special Report, Outsourcing & Privatization of Defense Infrastructure, p. 3, http://www.bens.org/pubs/outsrce.html

[2] AFSC Pub 1, The Joint Staff Officer's Guide, 1997, p. 5-19

[3] AFPD 38-6, 1 Sep 97, Outsourcing and Privatization, HQ USAF/XPMS, p. 8

Part 2

Background

Issue

Hypothesis statement - We could be making the classic mistake of incongruity between the military objectives and the national objectives in our outsourcing initiatives in the DoD. The DoD's acquisition reform objectives and Vice President Gore's reinventing the government objectives – the means – may not be congruent to the ends – combat readiness. Are we knee-jerking to the "reinventing the government" interests and political factors involved in giving our private sector more government work and supposedly saving money without the long term assessment of the impact to our nation's security interests? All of us involved in the DoD business have experienced initiative after initiative and lived through changes that occur with each administration and change of command. We typically quickly "salute the flag" and get the job done. In today's environment, we don't have the resources, money or human, to "knee-jerk" to new ideas. We need to think them through from conception to implementation and have a measure of effectiveness. Although we have some measures of cost effectiveness of outsourcing, my hypothesis is that we don't know the impact of outsourcing to readiness because we don't have measures for it.

Concern

We continue our mandates to increase outsourcing without adequate impact analysis. We are also applying outsourcing to inherently government functions, such as those on the battlefield. There are many smart reasons to use outsourcing of government functions and many benefits reaped within the DoD. However, it's the misapplication and misinterpretation or lack of guidance that causes us to adversely use outsourcing. What, if any, functions are we outsourcing that indirectly and directly support readiness? Are these considered "inherently government" functions? We have some measures of costs savings and benefits; do we have measures of readiness impact? We have no strategic doctrine for battlefield effectiveness of outsourcing.[1] We do, however, have history and experience upon which to develop proper doctrine. Our military operational doctrine stresses the importance of congruency between national and military objectives in carrying out our defense strategies. We should have the same dictates for our use of this outsourcing defense initiative as it applies to the battlefield and its impact on readiness.

Knowns/Unknowns

Contractors on the battlefield and private military forces (or mercenaries) were a means to defend one's country in past history. The list includes the ancient Chinese, Greek, Roman, Italian, Britain, Prussian, French, and Indian armies. For example, Britain hired 30,000 Hessian soldiers to fight in the American War of Independence to avoid conscripting its own citizens.[2] Civilians were used in General Washington's Continental Army to drive wagons, provide architect/engineering and carpentry services, obtain foodstuffs, and provide medical services.[3] The use of contractor support for the battlefield accelerated during Vietnam as a mechanistic way of filling holes in our force structure. In the past three centuries the international community has

accepted only nation-states fighting wars. The rise of private military companies, guns for hire, in the 1990s—and the possibility that they may view conflict as a legitimate business activity—has provoked outrage and prompted calls for them to be outlawed.[4] Many legal and ethical issues arise when a nation considers using a profit-oriented private company to fight their defense battles. It is the smaller nation-states that are less equipped to fight inter-or intrastate conflicts that look to hire private capabilities. An example of current use of contractors on the battlefield is a private army called Executive Outcomes (EO) based in South Africa. They are staffed primarily with war veterans, those individuals with prior military experience. They have not only supported African conflicts, they were subcontracted to a British military company to train and plan military operations in Papua, New Guinea. They claim their biggest strength is intelligence. They have a better capability to get human intelligence from the local population.

What is the outsourcing for the battlefield trend in the United States? A large industry company, The Outsourcing Institute, shows there are three primary areas of outsourcing: (1) information technology, (2) operations, and (3) logistics.[5] None of these areas are direct combat operations. Information technology deals primarily with computer systems for base operations. Operations deals with administration, customer service, finance, human resources, and sales and marketing. Logistics deals with distribution and transportation. However, these areas could have some impact on battlefield readiness if we expand the scope of these outsourcing areas. We have, however, outsourced many combat support functions that are getting closer and closer to the direct line of combat. Those areas, logistics and operations, will be discussed in Part IV of this paper. Although the US has not outsourced direct combat capabilities, what would be our role in fighting against private armies or in coalitions with them?

Our smart application of outsourcing in our own battlefield environment will give us our answers.

Approach

I have pursued research via the Internet and AU Library. In addition to business sources, military web pages were searched for operational uses of outsourcing. A short piece of the paper will address historical perspectives of using contractors in the battlefield. General Accounting Office (GAO) and Inspector General (IG) reports were also reviewed for potential audits relating to combat readiness versus strictly cost impacts. Communication via phone calls and electronic mail was used to verify some document sources.

Notes

[1] Stollenwerk, Michael, ADA366278, LOGCAP: Can Battlefield Privatization and Outsourcing Create Tactical Synergy?, Army Command and General Staff College, Fort Leavenworth, KS, 26 Dec 98, 63 pgs.

[2] David Shearer, "Outsourcing War," International Institute for Strategic Studies in London, Fall 1998, p. 69.

[3] Maj William W. Epley, *Contracting in War: Civilian Combat Support of Fielded Armies*, Washington DC: US Army Center of Military History, 1989, pp. 1-6.

[4] Ibid, p. 68.

[5] Outsourcing Interactive, http://www.outsourcing.com/index.htm.

Part 3

Issues/Analysis

Current Trends

Three primary factors have contributed to our increased reliance on contractors or outsourcing to support our battlefield operations: (1) deep cuts in uniformed personnel, (2) a push to privatize functions that can be done outside the military, and (3) a growing reliance on contractors to maintain increasingly sophisticated weapon systems.[1] A fourth political reason is to augment Congressionally mandated ceilings on troop counts based upon their perception on how a current conflict/war should be executed. These factors should drive home the necessity of measuring outsourcing impacts to defense security military readiness.

Mandates/Objectives

Vice President Gore's Reinventing the Government and DoD Acquisition Reform was an immediate catalyst to our increased focus on outsourcing and privatization. The goals of delivering great service, fostering partnership, and internal reinvention were quickly adopted and executed by each of the services within the DoD[2]. Concern is that they were adopted too quickly without adequate assessment of the benefits, both of cost and readiness.

There are many directives that apply to outsourcing such as those listed below. In the time allotted for the purposes of this research I have found only one source that alludes to measuring readiness impacts.

- Executive Order No. 11246, 28 Sep 65, 30 F.R. 12319/Equal Employment Opportunity

- OMB Circular A-76, Performance of Commercial Activities, 4 Aug 83

- DoD Directive 1104, Guidelines for Manpower Programs, 1963

- DoD Directive 4100.15, Commercial Activities Program, 10 Mar 89

- DoD Dir 5100.73, DoD Management Headquarters Support Activities, 12 Nov 96

- DoD Instruction 3020.37, Continuation of Essential DoD Contractor Services During Crises, Nov 90

- AFPD 38-6 on Outsourcing and Privatization. It provides for four goals to (1) *sustain readiness*, (2) improve performance and quality by doing business more efficiently and cost-effectively, (3) generate funds for force modernization, and (4) focus personnel and resources on core AF functions. It further states that we will not outsource or privatize inherently government, military-essential, or legislatively exempt activities. It requires a revalidation of inherently government and military-essential functions. These functions directly correlate to readiness and should be assessed in that light too.

- Army Regulation 700-137 (Logistics Civil Augmentation Program – LOGCAP)

BENS Special Report

BENS issued a special report on outsourcing and privatization of defense infrastructure.[3] The author compared industry's "competitive crisis" of the 1980s and their response with restructuring and reengineering. Outsourcing and privatization emerged as management innovations that promote efficiency and improve service. To survive, the private sector turned to

outsourcing non-core operations in order to tap services and support from "world class" suppliers. BENS believes that DoD should focus on "core competencies" and outsource activities not critical to mission. For DoD, its core mission is the US national security and those activities not engaged directly to this mission should be considered for outsourcing and privatization. BENS cites the following legislative barriers:

- Exhaustive analysis before outsourcing any function performed by more than 45 employees.

- The Secretary of Defense (SECDEF) identify core logistics functions that cannot be outsourced unless Congress is notified.

- Prohibits outsourcing of civilian guards and firefighters at military bases.

- Requires a public/private competition before depot maintenance workload of more than $3 million can be outsourced.

- No more than 40 percent of money allocated for maintenance can be spent on private contractors. (This rule has since changed to 50 percent.)

- Prohibits outsourcing functions at specified plants

The author referenced the Quadrennial Defense Review and the fact that too much of our limited defense dollars go to support areas—the "tail"—support and infrastructure consuming about 70% of all defense dollars. Many of these tasks could be outsourced. He states "a serious and effective outsourcing and privatization program requires a new mindset that cedes control and the desire to micromanage in areas not directly related to combat effectiveness." Real (and effective) privatization/outsourcing requires giving up control and the temptation to micromanage processes. Risk-aversion prevents the DoD from the full benefit of lessons learned by private industry. If the Pentagon's bottom line is measured by military readiness and force modernization, then outsourcing and privatization can do for defense what reengineering and

restructuring did for America's leading edge businesses. BENS is simply suggesting that we look at those non-core military capability and readiness tasks that could be better performed by our industry "world class" suppliers.

A-76 Study

The OMB Circular A-76 provides policy guidance and implementation procedures for government agencies to use in deciding whether to contract out for commercial activities -- product or service that could be obtained from a private sector source. The A-76 process is also used to evaluate activities to determine whether they are government or commercial. A-76 has been around for a long time. The purpose of A-76 is not to blindly convert work to contractors but to use A-76 as a tool to make sound business decisions and to enhance federal performance through competition and choice.

In the commercial marketplace, competition is synonymous with better business: higher quality, lower prices, and faster turnaround. The government, in pursuit of better business, is intensifying its efforts in the competitive sourcing arena. OMB Circular A-76, Performance of Commercial Activities, is the government's mandate to achieve economy, enhance productivity, and improve quality. It requires cost comparison of commercial activities being performed by government personnel to determine who can do the work better, faster, and cheaper – government or industry. Developing a better understanding of the competitive sourcing process will enable both government employees and industry to meet the challenges of A-76 in the spirit in which it was created: achieving the most value for the taxpayer dollar.[4] The challenge is to accelerate the adoption of best business practices for achieving better quality, improved speed, and greater value in providing war fighter support across the DoD.

- DoD's infrastructure is too large and inefficient. We need flexible agile support to meet modern war fighter needs.

- We need modernization resources now.

- We need to leverage commercial technologies and efficiencies. Our solutions are too unique, costly, and behind the technology curve.

All of these are based upon achieving sound business solutions. It is implied that they will enhance readiness by providing higher value war fighter support.

Depot Support

The Honorable Sheila Widnall, Secretary of the Air Force during the time of depot public/private competition and base realignment and closures addressed concerns.[5] She emphasized that privatization was a necessary trend because the DoD needs to concentrate more of our forces on frontline combat functions. Private support was a standard before World War II. It all comes down to capitalizing on the advantages of the market. She also stated that we must convince Congress to change the law limiting our private sector depot effort to 40 percent of our depot funds. That has since changed and is now up to 50 percent.

A report in *Acquisition Review Quarterly* by Mr. William Washington concluded that commercialization and privatization in the depots has not gleaned the cost savings and efficiencies that we expected.[6] The depot's issue during this time was that our excess capability meant higher overhead expenses. Base realignment and commercialization was supposed to capitalize on our industry counterpart's proven efficiencies in the manufacturing arena. However, the military-unique functions are not available in the private sector. Our equipment and facilities were developed by military-unique applications. We experienced many problems with consolidation and privatization. The savings did not materialize. We didn't have enough

information for fixed-price contracts. Government-furnished material was not timely and industry didn't foresee the environmental costs for clean-up. We still need our surge capacity for wartime. Our unique hardware is expensive to move and may not function in other geographic areas (i.e., outdoor test sites). We also had legal and policy barriers. There were differences between government and contractor pricing data. Less workload in the depots equaled excess capacity and increased costs to our users. The same held true for industry.

The jury is still out on the benefits of outsourcing/privatization for depot support. Depot support is a direct contributor to readiness and as such, not only savings should be measured, but also readiness impacts. Our focus should be on that 50% core function and performing that direct battlefield support function more efficiently by gleaning the efficiencies of the other 50% tasks we outsource.

Battlefield Support

How the military's role is changing and how contracting/outsourcing support is being used are described in the areas listed below. Contractors have been used in various forms of force protection to help manage risk at the operational and tactical levels of military operations. "Organizations are learning that by forming strategic outsourcing relationships, they can work together to more than just run and maintain their technology. They are able to use it as a competitive weapon."[7] The benefits of competition provide better support to the battlefield. The following provides examples of outsourcing used for logistics and operations.

Logistics

Changes in the threat environment and subsequent force structure adjustments demanded a change in the overall logistics support process. What we now call the Agile Logistics process is

designed to improve the combat capability of military forces by reducing the mobility footprint, decreasing the infrastructure, and boosting logistics effectiveness with "state of the art" business practices, designed to reduce the operating costs of the Air Force. These logistics concepts directly impact our ability to go to war and execute combat operations. More emphasis is placed on the ability to get support items delivered to the user within very limited time lines, as opposed to the units stockpiling items in case of need. We can no longer rely on forward-deployed forces and prepositioning of resources. The difficulty in predicting where the next operation will occur adds to the difficulty in prepositioning resources. There are many support functions for small- to medium-scale deployments associated with geopolitical objectives that do not directly relate to military core competencies. Oursourcing is logical for these operations.[8] The following are just a few examples of how outsourcing has been successfully used for logistical support on the battlefield.

- Vietnam – Contractors performed maintenance checking on the performance of battlefield equipment. They also erected and performed strategic surveillance at a radar facility.

- Desert Strike - Mylar applied on guardhouse windows was recommended and provided by contractors. We purchased the "Dominator" for sewage removal. We eliminated water delivery contract (lessened security risk) by purchase and installation of 80,000 gallon permanent water storage. Other contractor products/services included asphalt, HAZWASTE disposal, custodial services, fencing, construction equipment, escort, personnel bunkers, concrete revetments, guard facilities, and resupply via FedEx and DHL.

- Desert Shield and Desert Storm – Contractors maintenance teams supported Army tracked and wheeled vehicles; nuclear, biological, and chemical vehicles; and TOW and Patriot missiles.[9]

- Overall Transportation Support - During a briefing at ACSC it was reported that the majority of transportation for our war fighter is contracted out--88% for the Army, 50% for the AF, and 68% for the Navy. US Transportation Command wants that assured access for land, air, and sea from the commercial sector. In a presentation to the ACSC Class of 2000 on "Air Force Logistics Transformation" it was re-emphasized that Federal Express can always get our supplies to us quicker with their worldwide express transportation system.

A good service example of the use of contractors for logistical support is the Army's LOGCAP program. The LOGCAP program is used for contingency contracting. An example of the type of support a contractor provides can be found in the LOGCAP planning template. Responsibilities include: (1) within 15 days of notice to proceed (NTP) receive and support troops into the area of operation, (2) within 30 days of NTP support those troops and establish rear and forward support areas, and (3) continue to support. These are direct battlefield support missions. They have been working to improve their LOGCAP program to "create a tactical synergy" on the battlefield.[10] Prior to deployments to Bosnia, the Army used a commercial partner to plan and execute contingency logistics prior to any mobilization decision by the National Command Authority. The Army also used a support contractor for Operation Restore Hope in Somalia. Four initiatives the Army is pursuing to enable this synergy are: (1) get senior leadership commitment, (2) better identify core competencies, (3) establish a strategic relationship between the Army and the LOGCAP contractor, and (4) create incentives for agents in the relationship to focus on tactical synergies. The GAO found that LOGCAP contractors provided effective support for military units; however, ". . .the employment of LOGCAP without doctrine and guidance . . .(is like) giving the Army a new weapon system without instructions on how to use it. [11] A primary issue with the increasing presence of contractors in direct battlefield

scenarios is the command and control of them. Civilians do not fall within the same chain of command and ranking system that the military does. A commander does not have the military discipline of giving a direct order to a civilian. This issue is exacerbated by the increasing complex military/civilian infrastructure on the battlefield and parallel security issues. Operation Restore Hope also highlighted funding problems. LOGCAP was used in other operations such as Uphold Democracy in Haiti, Vigilant Warrior in Southwest Asia, and Joint Endeavor and Deny Flight in the Balkans. All such experiences are bringing to a head the need to successfully implement the initiatives above to create that synergy on the battlefield.

Operations

The impact of outsourcing for operations, the ultimate mission on the battlefield, is a positive impact. Outsourcing serves as a force multiplier. This force multiplier effect enhances the Commander in Chief's (CINC's) fighting capability.[12] By freeing up core mission personnel to perform those critical tasks in direct support of our national security and interests, contractors provide us an economy of force on the battlefield.

Over 3,000 contractor personnel were deployed to Operation Desert Shield/Storm functioning increasingly as an integral part of military tactical operations. Their functions also expanded to peacetime contingency planning and exercises. Contractors were used to deploy faster and establish base camps, airport/seaport debarkations, port reception, and forward and rear support areas.[13] An issue that did arise was that of command and control. According to a Rand Corporation Study ". . .there was no central cognizance of who was in theater, enroute, or who had left. . .mobilization and deployment. . .was accomplished largely in an ad hoc manner."[14] Not only is the commander responsible for the accountability of these civilian assets for the purposes of command and control, but also the security of them as non-combatants on the

battlefield. The basic issue is that the closer the function comes to the battlefield, the greater the need to have soldiers perform the function because of the greater need for discipline and control.[15]

The Chairman of the Joint Chiefs J-4 staff is currently finalizing doctrine for the use of contractors in theater. This doctrine addresses lessons learned and issues that have arisen from our increased use of outsourcing for battlefield operations. The joint publication states that . . ."contractor support can augment existing capabilities, provide expanded sources of supplies and services, bridge gaps in the deployed force structure, leverage assets, and reduce dependence on US based logistics."[16] The publication defines contractor support in three areas: (1) systems support, (2) external theater support, and (3) theater support. Systems support contractors logistically support fielded forces throughout their life cycle during peacetime, conflict, and war. These functions include spare parts and maintenance of systems that include weapon systems, command and control infrastructure, and communications systems. External theater support contractors provide support for deployed operational forces. These services include building roads, airfields, dredging, stevedoring, transportation, billeting, food, utilities, and decontamination. The theater support contractors support fielded forces within a mission area of responsibility. These contractors provide goods, services, and minor construction to meet the immediate needs of operational commanders.

Readiness Measurements?

We are making headway on measuring the cost impacts of outsourcing. Better value to the war fighter does free up dollars needed for direct operational needs and enhanced readiness. We also have qualitative assessments of readiness impacts. By outsourcing those non-core functions

our military assets can concentrate on those core readiness functions. However, we don't have quantitative measures of outsourcing impacts to readiness.

Cost Impacts

During testimony (before the Oversight of Government Management, Restructuring and the District of Columbia Subcommittee, Senate Committee on Government Affairs regarding A-76 effectiveness, J. Christopher Mihm included in the discussion the problem with cost data.[17] His testimony (1) discussed the usefulness of A-76 in current federal environment; (2) showed that A-76 is not being used extensively by civilian agencies, (3) examined OMB's effectiveness in this initiative, and (4) provided observation on necessary elements of a more effective A-76 program. GAO noted that agencies need to continue efforts for more sound program comparison cost data. DoD projected it could save approximately six billion dollars by the year 2003 by subjecting more of its business and support activities to competition using A-76. OMB stated that DoD has not achieved estimated savings in the past and questions their ability on savings in the future. Congress put in place a statutory framework—the Results Act, as part of that framework, provided an opportunity to consider A-76 in the broader context. OMB says we're losing opportunities by not looking more closely at commercial inventories for competitive sourcing and privatization (CS&P). The government's lack of cost data, especially indirect costs, has impeded the A-76 competitive process. Such was seen as perceived by industry as unfair during Depot Maintenance Competition in the early 1990s. Our industry competitors felt they were not on a level playing field due to the different cost accounting systems between themselves and defense depots. Contract administration of these competitions was also weak causing a higher risk for fraud, waste, abuse, and mismanagement. Another GAO report founded that better data was needed to support overhead rates for A-76 studies.[18] A specific example of

lack of cost benefits was the report on Aerospace Metrology and Research Center. The original cost benefit resulted in a 16% higher operating cost with privatization. We are still paying for excess capacity and contractors are still looking for ways to improve efficiency in declining DoD workloads.[19]

The AF has created a CS&P panel to monitor future outsourcing activities. Lessons learned in the area of costs include: (1) consolidated and regionalized contracts may be complicated, but yield greater returns, (2) maximize efforts—"right source," (3) be sure performance work statements (PWS) do not include over and above perks and services that drive up the costs, and (4) PWS should be written to ensure costs can be easily computed.[20] These lessons have been incorporated in the latest guidance for the panel and the stakeholders in the outsourcing process.

Readiness Impacts

In recent years there have been many concerns raised about the state of our military's readiness to support the security interests of our nation. We have transitioned from a forward-based military to expeditionary forces that have to be ready for deployment any time, anywhere in the world. In testimony before the Senate Arms Services Committee in Oct 99, it was stressed that the past several years of sustained high operations and tempo and reduced funding have contributed to a slow, steady decline in our readiness.[21] Readiness levels are higher in forward deployed or expeditionary units, but low in other units. The AF has pilot retention and spare parts problems. The Navy has recruiting and equipment readiness problems. The Army is concerned about end strength numbers and dollars for Bosnia operations. The Marine Corps is concerned about both personnel and equipment readiness for Marines coming in and out of theater. These are dynamic issues that require constant focus. "DoD must ensure it provides

resources needed to maintain readiness, make sure it collects the right information to monitor readiness and deals quickly with readiness issues when they are detected…"[22]

Each services core competencies provide the capabilities to defend our national interests. The tasks that make up those core competencies are what is at question with outsourcing. In a November 1988 DoD Inspector General (IG) report, it was stressed that commanders identify war-stoppers, those tasks that can only be relied upon to be performed by the military. Also, it was recommended that contingency plans be developed in those cases where contractors may defunct on their performance in times of crisis. The report stated that there was ". . .no capability to ensure continued contractor support for emergency-related services during mobilization or hostilities, . . .no central oversight, . . .and no legal basis to compel contractors to perform. . ."[23] These are real issues to readiness; however, my research has shown that our use of outsourcing has actually been an enabler for better readiness. We are doing a better job of identifying those tasks that are core to the competencies for our war fighting missions.

For example, the metric imposed in AFPD 38-6 requires measurement and display of the following compliance goals:

- Sustain mission readiness

- Improve the performance, quality, and efficiency of AF functions

- Generate funds for modernization

- Focus personnel and resources on core AF mission

The primary measurement is counting the number of tasks that are being converted for outsourcing. The process to achieve an increase in outsourcing requires an in-depth, continuous analysis of inherently government functions and the coding of positions as either not direct combat or direct combat. The result is a commercial activities inventory that provides candidates

for outsourcing tasks. The process also requires an analysis of our capability of performing those

tasks if they are brought back in-house. This process towards achievement of the above goals

should give us a confidence that we are not negatively impacting readiness.

Notes

[1] Kathryn McIntire Peters, "Civilians at War," *Government Executive*, July 1996.

[2] "Reinventing Government," 14 Jan 98, http://www.acq.osd.mil/nprric.toc.htm.

[3] Paul Taibl, "Outsourcing & Privatization of Defense Infrastructure," *BENS Special Report*, pp. 1-16, http:www.bens.org/pubs/outsrce.html.

[4] "Accelerating Defense Reform With Commercial Business Practices," Mar 99, http://alpha.lmi.org/cbe/briefings/actionbrief.ppt

[5] The Honorable Sheila E. Widnall, Secretary of the Air Force, "Privatization – A Challenge of the Future," remarks at the Base and Civic Leader Dinner, McClellan AFB, 7 Feb 96.

[6] William N. Washington, "Depot Utilization and Commercialization," *Acquisition Review Quarterly* – Spring 1999, pp. 305-315.

[7] Stollenwerk, Michael, Ibid.

[8] Davidson, Susan A, "Where is the Battle Line for Supply Contractors?," Issues and Strategy 2000, Contractors on the Battlefield, Air Force Logistics Management Agency, Dec 99, pp. 55-57.

[9] James C. Hyde, "Defense Contractors Serve on the Front Lines of Operation Desert Storm," *Armed Forces Journal International,* March 1991, p. 32.

[10] Stollenwerk, Michael, Ibid.

[11] Stollenwerk, Michael, Ibid.

[12] Final Draft Joint Publication 4-0, Doctrine for Logistics Support of Joint Operations, Chapter V – Contractors in the Theater, p. V-1.

[13] Ibid.

[14] Epley, William W., *Contracting in War: Civilian Combat Support of Fielded Armies*, Washington DC, US Army Center of Military History, 1989, pp. 1-6.

[15] Ibid.

[16] Final Draft Joint Publication 4-0, Ibid.

[17] GAO T-GGD-98-146, 4 Jun 98, "OMB Circular A-76: Oversight and Implementation Issues," 11 pgs.

[18] NSIAD-98-62, 27 Feb 98", "Defense Outsourcing: Better Data is Needed to Support Overhead Rates for A-76 Studies.

[19] GAO/NSIAD-00-23, Dec 99, "Military Base Closures: Lack of Data Inhibits Cost-Effectiveness Analyses of Privatization in Place Initiatives," p. 1.

[20] Competitive Sourcing and Privatization web home page,
 http://www.xp.hq.af.mil/xpm/xpms/candp/candp.shtml.

[21] AF Policy Letter Digest, Dec 99, http://www.af.mil/lib/policy/letters/pl99-12.html

[22] Garamone, Jim, *Air Force News*, "Officials Surface Readiness Concerns," 11 May 98, http://www.af.mil/news/May1998/n19980511_980635.html.

[23] DoD IG Audit Report, "Civilian Contractor Overseas Support," pp. 6-12.

Part 4

Conclusions/Summary/Recommendations

In total war, it is quite impossible to direct any precise line between military and on-military problems.

— Winston Churchill

Negative Impacts of Outsourcing

Legal Responsibilities

A contractor simply is not legally responsible to fight wars. They are legally noncombatants (or are they) and are to be protected. This issue has created consternation over their role in performing in the theater of operations. Their role on the battlefield has increased over the years due to the surge in military technology that required the contractor's presence for the systems upkeep and the fact that we are privatizing duties historically performed by the uniformed military. A Memorandum of Law was issued to clarify the law of war status of civilians accompanying military forces in the field.[1] The issue becomes a matter of whether or not the contractor is taking an active part in hostilities. If so, they are entitled to the same rules of engagement as the military. As such, they differ from the rules that govern the general civilian population. The commander is under no obligation to separate them from the military forces or objectives; they may be required to wear a uniform, and may be armed. The point is again, at what point can our contractors be perceived as taking an active part in hostilities. The issue is

what the enemy thinks. The commander must make an assessment during the planning stages of an operation of the risks associated with close combat support.

Command and Control Responsibilities

Command and control of civilians is not as disciplined and structured as it is in the military chain of command. When you add non-government civilians, such as contractors, to that equation, it becomes more difficult. However, commanders are using civilians more and more to perform military tasks. The 1975 Defense Authorization Act directed the executive to use cost as the determining factor to replace military personnel positions with civil service civilians who were managed by cumbersome civil service rules. Congress began to routinely place US force capabilities on the theaters. This encouraged more outsourcing. There was no accountability of contractors in the theater. They didn't process through a central Continental United States or theater contracting activity, but by their own transportation system[2]. A commander must be able to rely on the discipline, training, and allegiance of his troops on the battlefield. They gave oaths to their country to defend to the death. The commander cannot rely on a private contractor to do the same. The commander must also ensure the safety of those civilian assets supporting the battlefield. This requirement increases with each contractor on the battlefield. As the commander adds private contractors to his battlefield scenario he increases the resources he needs to protect those civilians, thus taking away resources he could be using for direct combat operations. Instead of optimizing his combat assets, he is dedicating combat assets to non-combat tasks.

Military Core Capabilities

Because of DoD's wish to comply with outsourcing initiatives, our reductions in forces, and reduction in defense budgets we have turned to contractors to fill those gaps without seriously

looking at the end result. The end result or objective in any defense security strategy is to shape, prepare, and respond to security threats to our nation's interests. Contractors can help us shape and prepare without impacting readiness; however, they cannot be relied upon to respond in times of serious crisis. We need to ensure that core competency requirements are dictating what is outsourced and not the other way around.

Doctrine

We currently have doctrine that teaches the soldier what is expected of them strategically, operationally, and tactically on the battlefield. There is no doctrine on what is expected of the solider with regards to civilians on the battlefield who are in direct support positions. There is draft guidance being developed that will need to be distributed to all stakeholders in this process and training provided on the implementation of that guidance.

Trade Offs–Enhancing Readiness

Education/Training

A large part of the potential of misapplication of outsourcing is the cultural fear of turning over long-held government functions to the private sector. Although outsourcing has been used to support our war efforts throughout history, this is not a well-known fact to the acquisition and sustainment managers of recent history. Today's managers were bred to retain as much of the weapon system life cycle as possible, that it was their sole responsibility to ensure war fighting capability and readiness. I too, was a product of an extensive intern program that taught me to mistrust the private sector who was a profit oriented business, that I was the government's agent of trust. To alleviate these misconceptions, we need to re-educate and train the current workforce, which will expel fears of business management practices they have not experienced.

Historical successes/failures. This information should be collected and maintained for all managers responsible for outsourcing. There are many cases upon which we can improve our efforts. These lessons learned should be incorporated in training and doctrine.

Existing service programs. Each of the services should share their initiatives and they should be standardized at the DoD level. Lessons learned from each of the services would reduce duplication of effort, duplication of mistakes, and barriers that prevented the best use of outsourcing.

Other nations' efforts. We should seek to learn what our allied nations have been and are doing in the area of outsourcing. Since we are all governed by international rules of war, we should share our successes/failures and improve our readiness postures.

Partnership with Industry

Although industry is a profit-oriented business, the base that typically supports the DoD is populated with former veterans of the defense. They are just as patriotic as a government worker, but more efficient and productive because their sole existence depends on maintaining a profit margin. As they share more and more of the battlefield support functions, they also need to share in the above-mentioned education and training. They also should share up front in the determination of outsourcing requirements.

DoD's mission/core competencies. As each of the services define/redefine their missions in a ever changing global security environment, our industry counterparts should also be part of that process. We now structure our forces around core competencies and not gee whiz weapon systems we would like to procure. The DoD should keep industry in the loop when we establish new missions and core competencies so that they are aware of future business with us and

posture accordingly. This will help alleviate long contractual and legal processes that deal with these kinds of ambiguities.

Industry's mission/core competencies. Industry also looks at what capabilities are core to their survival and competitiveness and outsources those functions that don't need the thrust of their efforts. We can learn from their experiences. As we educate our managers and reduce the fear of outsourcing impacts to cost or readiness, we can truly gain the efficiencies and the focus we need for our core missions/competencies.

Doctrine/Policy/Guidance

A critical part of the education/training and partnership with industry process is to institutionalize lessons learned in doctrine and provide timely guidance to those responsible for the outsourcing function.

Define non-core and non-inherently government functions. As many of my referenced studies have pointed out, we have not been particularly successful in our process for defining those functions that are ripe for outsourcing. This should be an iterative process that changes that data base of functions as the security environment changes and successful outsourcing efforts reap readiness benefits.

Partner with industry for core competencies. I suggest that there are core competency functions that we must partner with industry because of their inherent strengths in those areas. One such area is information warfare. As with many technological insertion upgrades we have made to weapon systems because of industry's growth in those areas, they are also smarter than us in information technology. Information dominance has become a core competency because we realize its potential on the battlefield.

Contracting mechanisms. More guidance is needed for the acquisition/sustainment manager on how to write, execute, and administer outsourcing contracts. Based upon our partnering with industry on past outsourcing experiences and better defining missions and core competencies, we will be better equipped to clearly define tasks that can be performed in support of the battlefield. Command and control relationships should be included in these contractual relationships. This will enhance the readiness that contractors have proven to help in the past.

Funding. Time and again our industry counterparts have incurred the cost of supporting us on the battlefield. We have also failed in our cost estimates of outsourcing. It is vital to our readiness posture that our services focus on their core capabilities and the costs of maintaining those. It is equally important that our cost analysts be equipped with the knowledge of the cost of outsourcing. The red tape involved in those miscalculations can definitely impact readiness and future budget appropriations.

Mandate measures of readiness impacts. Although current policy requires measures for readiness impacts, we have not done enough analysis. We collect data and fail to follow through with analysis and feedback.

Measuring for Success

Misapplication of outsourcing can impact readiness. That misapplication occurs if we do not keep the business objectives of outsourcing congruent with the national and military objectives. We have to keep the business practice of outsourcing—the means--focused on our security objectives—the ends. The above recommendations are intended to maintain that congruency. It is in our human nature not to like to measure what we do. We want to know what the requirements are and execute those requirements. We assume success if the execution takes place, just as those tasks that occur at the various military strategic, operational, and

tactical echelons. We measure those successes by results such as attaining funding, keeping troops trained, faster deployments, obtaining the weaponry requested during a conflict, and minimizing or eliminating collateral damage during a conflict. Our current readiness system, that was defined in part I of this paper is a pretty good system for assessing our readiness posture. Outsourcing, an enabler to our force structure, must continue to be included in the analysis for measures of readiness. With its increased use will come more lessons learned. That civilian piece of our military force structure must be integrated in all readiness measures. We are doing a good job of defining our readiness capabilities with our core competencies. We are also doing a good job of identifying those tasks that can be outsourced that will allow us to focus on those core military readiness competencies. This smart integration between the civilian and military sectors will ensure congruency between our business practices in our outsourcing initiatives and the military national security objectives and that outsourcing remain an enabler for our forces.

Notes

[1] DAJA-JO Memorandum of Law, May 99.
[2] Stollenwerk, Michael, ADA366278 LOGCAP: Can Battlefield Privatization and Outsourcing Create Tactical Synergy?, Army Command and General Staff College, Fort Leavenworth, KS, 16 Dec 98, 63 pgs.

Glossary

ACSC	Air Command and Staff College
AEF	Air Expeditionary Force
AF	Air Force
AFPD	Air Force Policy Directive
AFSC	Air Force Staff College
AU	Air University
BENS	Business Executives for National Security
CINC	Commander in Chief
CS&P	Competitive Sourcing and Privatization
DoD	Department of Defense
EO	Executive Outcomes
GAO	General Accounting Office
HAZWASTE	Hazardous Waste
IG	Inspector General
LOGCAP	Logistics Civil Augmentation Program
NTP	Notice to Proceed
OMB	Office of Management and Budgeting
PWS	Performance Work Statement
SECDEF	Secretary of Defense
SORTS	Situational Operational Readiness and Training Status

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