

## "AT WHAT COST?" INDEED: CONTRACTOR INDISPENSABILITY IN ARMY LOGISTICS

BY

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by

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United States Army

Topic Approved By  
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## **ABSTRACT**

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## **“AT WHAT COST?” INDEED: CONTRACTOR INDISPENSABILITY IN ARMY LOGISTICS**

In June 2009, the Commission on Wartime Contracting (CWC) issued an interim report entitled “At What Cost?: Contingency Contracting in Iraq and Afghanistan”. The Commission, by Congressional mandate, studied U.S. Military use of contracts in Iraq and Afghanistan to evaluate and report on America’s wartime contracting for logistics, reconstruction, and security. The CWC report details shortfalls in management and accountability and examines the implementation of contracted logistics. The Army’s use of contracted logistics services on the battlefield has resulted in numerous media reports of fraud, waste and abuse, and led some to conclude that contracted services are somehow at odds with the military’s mission and should be significantly curtailed. This supposition is implied in the title of the CWC report – “At What Cost?”

This paper will examine the “at what cost?” question using case studies of contracted logistics services from Afghanistan and Iraq to determine what Army force structure would be required in the absence of contracted services and will argue that, absent a sea change in U.S. policy, contractors on the battlefield are here to stay. It will examine the business case, in terms of replacement costs, of using military force structure instead of contracted logistics. It will examine the shortfalls of contracted services and the recommendations made by a number of interested parties for addressing issues with contracted logistics. Finally, this paper will make the case that the only rational response is to fully integrate contracted services into military operations to achieve unity of effort and adequate oversight of contract logistics in contingency operations.

## Doctrine and Recent History of Contractors on the Battlefield

*The Explosion of Army Logistics Contracting.* Proponents of contractors on the battlefield point out that contractors have accompanied U.S. forces on the battlefield since the very beginning of U.S. military history. During the Revolutionary War, contractors accompanied George Washington's Continental Army to move troops and supplies. Contractors have played a role in every American conflict since; from the construction of telegraph lines supporting the Army of the Potomac during the Civil War to contractor construction of the Cam Ranh Bay military complex in Vietnam.<sup>1</sup> Since 1992 and the Balkan conflicts, however, the role of the military contractor has expanded beyond any historical precedent. The turning point in 1992 resulted from a \$3.9 million consulting fee paid to Brown & Root Services (BRS, now widely known as Kellogg, Brown & Root, or KBR) to develop a plan for how private companies could provide logistics to the military during deployments. By the end of 1992, KBR was tasked to implement the plan they developed in Somalia as U.S. forces deployed for Operation Restore Hope. Logistics support contracts grew over the next few years under the Logistics Civil Augmentation Program (LOGCAP), culminating in the award of a \$546 million dollar contract for support in the Balkans that included construction of camps in Kosovo, housing, feeding, and supporting over 7,000 service members. By the end of operations, contractors provided all rations, vehicle maintenance, and the vast majority of all water and fuel used by troops.<sup>2</sup> Once a fictional scenario, private armies of contractors, what P.W. Singer called the privatized military industry, had become a fact in the twenty-first century, with all the attendant ethical, management, legal and national security challenges.<sup>3</sup>

*Current Doctrine.* U.S. Army Field Manual 3-100.2, Contractors on the Battlefield, outlines doctrine for employment of contractors. The doctrine, published in 2003, acknowledges that, in the modern era, the increasing complexity of equipment and reductions in military force structure necessitate significant contractor augmentation of the force. It attempts to delineate responsibilities for planning and supervision of contracted activities, and defines commonly used terminologies and contract types, while suggesting a number of planning considerations for contractor support to the force.<sup>4</sup> The doctrine, however, is silent on the critical questions of when, where and how contractors are best employed to support the force and how they should be managed. The Field Manual acknowledges this fact: “Currently, there is no specifically identified force structure nor detailed policy on how to establish contractor management oversight within an AOR. Consolidated contractor management is the goal, but reality is that it has been, and continues to be, accomplished through a rather convoluted system...”<sup>5</sup> More importantly, doctrine does not provide the intent, or vision for employment of contractors in the military of the future.<sup>6</sup> Are contractors expected to take over all weapons system maintenance? Should contractors be placed in charge of all logistics and engineering services? Is the strategic vision for contractors related to force structure reductions, cost savings, or some other strategic imperatives? Current Army doctrine is silent on these critical questions and provides little guidance on contractors and the future force.

*Controversy and Congressional Oversight.* Despite the military’s increasing reliance on contract support and doctrinal acknowledgement of contractor criticality, contracted logistics support does not enjoy universal support. Criticisms generally take on one of two forms: 1) a high level of contracted support jeopardizes the force by

outsourcing inherently governmental functions; 2) mismanagement of contracts leads to rampant fraud, waste and abuse.<sup>7</sup>

In August 2009, the Wall Street Journal reported that contractors outnumbered troops in Afghanistan. This led some observers to conclude that contractors were shouldering a disproportionate role in the mission.<sup>8</sup> Aside from the common legal arguments, military analysts worry that over-reliance on contractors undermines the military profession, may pose reliability challenges, reduces a commander's flexibility and results in a lack of accountability.<sup>9</sup> There is considerable debate on the subject of inherently governmental functions and Department of Defense contracts. Inherently governmental functions are those that, by law or policy, are intimately related to the public interest and unsuitable for contracted solutions.<sup>10</sup>

More troublesome in an era of rising deficits and ballooning public debt is the potential for fraud, waste and abuse. To address these issues, Congress established the Commission on Wartime Contracting (CWC) in 2008 to assess mismanagement, fraud, waste, abuse and other topics related to wartime contracting. The CWC found that 30 percent of contract company business systems were deficient and were not audited on a sufficient basis to prevent waste.<sup>11</sup> The CWC estimates that the LOGCAP III contract (services provided in Iraq and Afghanistan by KBR) resulted in billions of dollars of wasteful spending. Examples of such waste include overstaffing of the contract resulting in \$50 million in labor cost overruns, excess laundry and dining facilities valued at over \$108 million, and \$82 million in overspending on housing containers.<sup>12</sup> Aside from efficiency and waste issues, fraud is a potential risk area in such huge contracts. The Defense Contract Audit Agency (DCAA) is reviewing \$277

million in LOGCAP III subcontracts involving current and former KBR employees that may have been involved in improper procurement activities.<sup>13</sup> The CWC found systemic understaffing of contract management functions to include the Army Materiel Command's LOGCAP organization, the Defense Contract Management Agency (DCMA), and the Joint Contracting Command- Iraq/Afghanistan.<sup>14</sup> This shortfall of professional contract management personnel is exacerbated by unit failure to provide Contracting Officer's Representatives (CORs) to serve as logistics subject matter experts supervising contractor execution of their duties. Doctrine states that the COR is critical to contractor management and control, and that the CORs provide the interface to the contractor that ensures the commander's requirements are met.<sup>15</sup> In a survey of contract professionals and CORs conducted by the author, only 55 percent of respondents felt that CORs were adequately trained and only 62 percent believed that unit chains of command offered adequate support to CORs in overseeing contracts.<sup>16</sup> Another common theme identified as a shortfall in COR assignment is unit failure to appoint personnel with expertise in the area they are expected to oversee (i.e. fuel handlers supervising contractors at a fuel facility; engineers supervising construction contractors). 40 percent of respondents in the Afghanistan Forward Operating Base (FOB) Management Survey made specific comments related to the lack of technical expertise in unit appointed CORs.<sup>17</sup>

Given genuine concerns about the wisdom of military logistics contracting, its potential corrosive effects on military professionalism and capabilities, and the documented propensity of contracts to waste and fraud, it is no wonder that some might

ask, “At What Cost?” Despite drawbacks, contractors provide critical capabilities, and offset force structure in important ways that far outweigh the drawbacks.

#### Contractors as a Force Multiplier – How do Contractors Offset Force Structure?

The use of contractors on the post-Cold War era battlefield has expanded despite the fact that most commanders, given adequate resources, would prefer to have a pure military force performing the mission. Contractors are used because they offer inherent advantages relative to military forces or because they offer relief from specific resource or policy constraints. As a result, they have become integral to supporting the force.

*How did the Force Structure Gap Come About?* In the post World War II military the size of the Army’s logistics tail remained fairly constant, at 9,750-10,500 personnel supporting each combat brigade equivalent (4,500 combat soldiers). During the Cold War this structure was fully resourced with 113 brigade equivalents; 63 in the active Army and 50 in the National Guard and Reserve, all fully resourced with Combat Service Support elements. As a result of the “peace dividend” at the close of the Cold War, the force was pared to 69 brigade equivalents with 30 fully supported active brigades and 39 National Guard and Reserve brigades with limited to no Combat Service Support.<sup>18</sup> When multiple post-September 11, 2001 deployments forced all brigades into action, this created a gap of approximately 5,500 support personnel per brigade, or 58 percent of logistics.<sup>19</sup> Contractors were the best remedy for this force structure gap and the previously mentioned LOGCAP contracts provided a ready-made, contingency tested solution for force structure strapped commanders.

Contractors bridge other important force structure gaps. Rand estimates that 75 percent of the Army’s Combat Service Support force structure is in the Reserve

component.<sup>20</sup> In an era of persistent conflict, constant mobilization of Reserves is politically untenable and contractors offer a viable solution. Likewise, contractors can be used in situations where the National Command Authorities impose limits on troop strength for a particular operation. Singer points out that “(contractors)...offered the potential backstop of additional forces but at no political cost. That is, there was no outcry when contractors were called up and deployed.”<sup>21</sup> Contractors can provide expertise not easily developed in the military. In the case of increasingly complex weapons systems, contractors can provide the only viable support for equipment due to Army personnel management policies that make training and retention of sufficient technicians all but impossible. The Department of Defense recognizes this as it dictates increased contractor life-cycle support of major systems.<sup>22</sup>

Given contractor indispensability to the logistics effort, the question “at what cost?” remains. Can contractors complete tasks at or below the costs that would be incurred by military force structure in similar conditions?

*Case Studies in Comparative Cost - The Congressional Budget Office Study of LOGCAP III, Task Order 59.* The Congressional Budget Office (CBO) studied the financial efficacy of contractors in a 2005 study entitled *Logistics Support for Deployed Military Forces*. The CBO used LOGCAP III, Task Order 59 in Iraq as a basis of comparison for determining the cost of contractor support to the cost of military support. LOGCAP III, Task Order 59 provided support for 130,000 military personnel deployed to Iraq in 2005 at a projected annual cost of \$5.2 billion. For that amount, the military received services at more than 82 locations, accounting for over half of the logistics support provided in Iraq. These services included airfield operations, ammunition

storage, base camp construction, base camp operation and maintenance, information technology services, power generation, maintenance, firefighting, food service, fuel, hazardous materials handling, laundry, property management, transportation and water, among other items.<sup>23</sup>

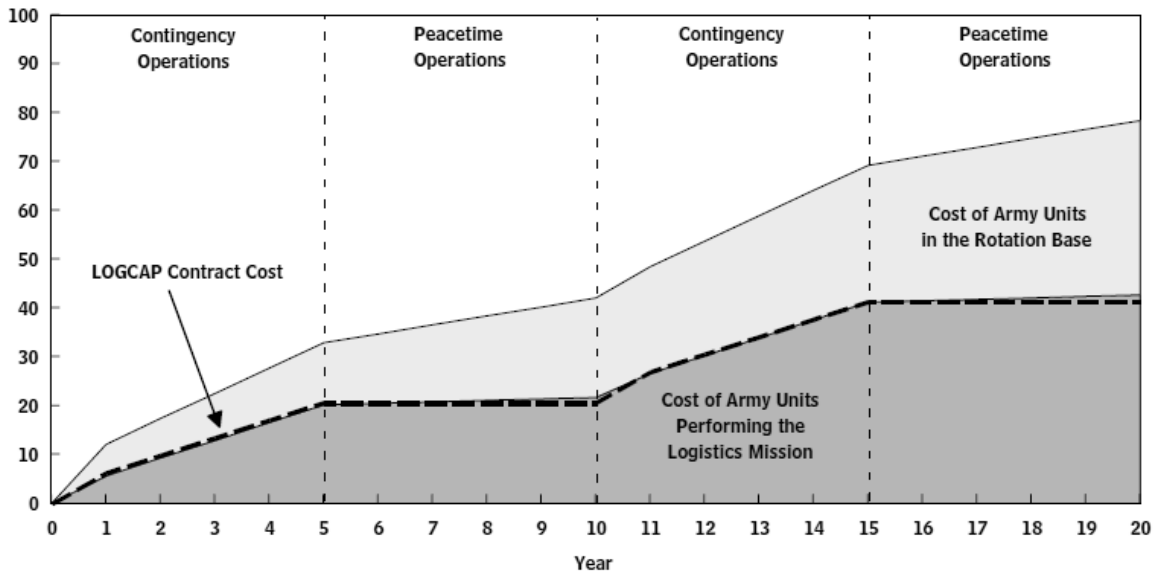
To replace these services, the CBO estimated that the Army would need 177 company-sized units of 38 distinct types staffed with 12,067 Soldiers (this estimate includes 10 headquarters-type units for command and control). The CBO then polled the existing force and determined that there were 104 uncommitted company-sized units of the correct type in the current force structure, necessitating the creation of an additional 73 company-sized units to replace contractors working under LOGCAP III.<sup>24</sup>

Obviously, a one-time, one year replacement of contractors is not sustainable, so the study made assumptions about the requirements for sustaining support. First, the study assumed an alternating OPTEMPO of five years of war/contingency operations, five years of peace over a 20-year period. Second, the CBO assumed a rotational base capable of sustaining 33 percent deployed time (1 year in 3) for active components and 17 percent deployed time (1 year in 6) for reserve components, and assumed the continuation of the current active and reserve force mix; both stated Department of the Army objectives. Given these assumptions, the Army would need to create 794 new company-sized units to maintain rotational depth.<sup>25</sup>



## Comparison of Cumulative Incremental Costs for Providing Logistics Support to Deployed Army Forces Using Two Approaches

(Billions of 2005 dollars)



Source: Congressional Budget Office.

Note: LOGCAP = Logistics Civil Augmentation Program.

Figure 1. Comparison of Cumulative Incremental Costs<sup>26</sup>

Costs considered in comparing the contractor force with military force structure included one-time startup costs, periodic contingency costs (those incurred at the beginning of a contingency), annual contingency costs, and routine operating costs. With these elements of cost, over a 20-year period, LOGCAP contractors cost an estimated \$41 billion dollars, while the equivalent force structure costs \$78 billion dollars, or 90 percent more than contract services (Figure 1). The CBO then ran seven separate scenarios with periods of conflict over a 20-year span ranging from 25 percent of available time (5 years of conflict in 20 years) to 100 percent of available time (20 years of conflict in 20 years), with resulting differences in force structure cost of 38 percent higher to 191 percent higher than contracted solutions such as LOGCAP. Even without adding additional force structure, costs of replacing contractors with force

structure were estimated at \$1.3 billion dollars higher.<sup>27</sup> Clearly, despite allegations of waste and inefficient operations, LOGCAP delivers value for the Army and provides a viable option to increased force structure in an era where military budgets may shrink as major conflicts draw down.

#### *Case Studies in Comparative Cost – Afghanistan Trucking and Aviation*

*Contracts.* LOGCAP services are not the only type of contract logistics support on the battlefield. There are a number of other agencies that contract for services on the battlefield. Applying the CBO cost comparison model to other contracts is instructive. Two candidates for examination are the Afghanistan Host Nation Truck contract and the Afghanistan General Support Aviation contracts. The Host Nation Trucking contract (HNT) was awarded by the Joint Contracting Command Iraq/Afghanistan (JCC-I/A) for \$360 million dollars per company to a total of six trucking companies for \$2.1 billion dollars over a two year period. The Afghanistan General Support Aviation contracts were awarded by United States Transportation Command (USTRANSCOM) to four contractors for various amounts totaling \$331 million dollars.<sup>28</sup> Like the CBO analysis of LOGCAP, the best basis for comparison lies in assessing the capabilities of contracted services against the capabilities of military units.

*Afghanistan Aviation Contracts.* The Aviation contracts, comprised of four contract aviation companies operating 37 fixed and rotary wing aircraft, delivered 15 million pounds of containerized delivery system (CDS) bundles or sling loads, 17.5 million pounds of mail and other internally loaded supplies, and 37,792 personnel in 2009.<sup>29</sup> Three General Support Aviation Battalions (GSAB) would be required to replace this capability per the doctrinal capacities in Field Manual 3-04.113, *Utility and Cargo*

*Helicopter Operations.*<sup>30</sup> The projected cost of the additional GSABs, to include their utility helicopter, cargo helicopter, headquarters, and maintenance units (but excluding their Medical Evacuation assets which are already solely military), with rotational depth, is \$10.7 billion dollars versus \$3.31 billion dollars for the same contract capability over a 20 year time period. A portion of this disparity in cost is reflected in the relatively high start-up costs of helicopter companies, where the aircraft themselves would account for \$1.24 billion dollars in cost (\$15.5 million per UH60 and \$24.1million per CH47) , plus the relatively high logistics and administrative bill for operating these aircraft.<sup>31</sup>

Unit Type	Additional Units	Rotational Depth Units	Incremental Contingency Cost of Additional Units	Manning, Equipping, and Operations Costs of Rotational Units	Operating Costs Over 20 Years	Total Cost to Operate Over 20 Years	Total Cost of Force Structure Over 20 Years	Contract Cost Over 20 Years
GSAB HQ	3	9	\$2,169,863,014	\$56,675,063	\$347,984,887	\$2,574,522,963	\$10,711,091,853	\$3,130,000,000
Utility Helicopter Company	3	9	\$2,169,863,014	\$263,175,063	\$347,984,887	\$2,781,022,963		
Cargo Helicopter Company	3	9	\$2,169,863,014	\$263,175,063	\$347,984,887	\$2,781,022,963		
Aviation Maintenance Company	3	9	\$2,169,863,014	\$56,675,063	\$347,984,887	\$2,574,522,963		

Table 1. Comparative Cost of Aviation Contracts and Force Structure<sup>32</sup>

*Afghanistan Trucking Contracts.* When subjected to financial analysis, not all contracts represent a financial advantage for the government. The Afghanistan HNT contract, comprised of six trucking companies, claimed to have approximately 4,000 trucks of various sizes and capabilities (flatbed, low-bed, tankers), but because of the nature of the companies and Afghan business culture, this was often impossible to verify. Accurate records do exist for the capacity provided by these contractors. HNT carriers in Afghanistan carried 200 million gallons of fuel, 300 million gallons of water, 77,206 containers of unit equipment and modular housing components, and 6,859 pieces of unit equipment in 2009.<sup>33</sup> Evaluation of these quantities of cargo delivered against the unit capabilities outlined in Field Manual 55-30, *Army Motor Transport Units and Operations* reveal that seven additional Transport Medium Truck Companies and

two Petroleum Medium Truck Companies would be required to replace the contract capability.<sup>34</sup> This additional force structure, including the rotational depth required to sustain the effort over a 20 year period, would cost the Army \$7.7 billion dollars versus the contract cost of \$10.8 billion dollars over the same period. Not surprisingly, the HNT contracts have come under considerable criticism for both their size and for the corruption associated with them. Afghan trucking companies spend up to ten percent of their contract fees for security payments to local warlords, much of which is purported to fund the Taliban.<sup>35</sup> As a result, these contracts have attracted congressional and Government Accounting Office (GAO) attention. Nevertheless, without the additional force structure required to replace the contractors, complaints are moot – the Army simply cannot replace the contractor and maintain the level of support required to sustain the force.

Unit Type	Additional Units	Rotational Depth Units	Incremental Contingency Cost of Additional Units	Manning, Equipping, and Operations Costs of Rotational Units	Operating Costs Over 20 Years	Total Cost to Operate Over 20 Years - by Unit	Total Cost of Force Structure Over 20 Years	Contract Cost Over 20 Years
Transport Medium Truck Company	7	21	\$5,063,013,699	\$132,241,814	\$811,964,736	\$6,007,220,248	\$7,723,568,890	\$10,800,000,000
Petroleum Medium Truck Company	2	6	\$1,446,575,342	\$37,783,375	\$231,989,924	\$1,716,348,642		

Table 2. Comparative Costs of Trucking Contracts and Force Structure<sup>36</sup>

*Other Benefits of Contracted Logistics.* Contract Logistics may be a financial value for the American taxpayer or a net expense, as the case studies above confirm, but contracts benefit the Combatant Commander's strategy in more ways than simple financial analysis reveals. In an era of "you break it, you buy it" foreign policy in which the U.S. military is expected to rebuild the societies that it topples, contracts can act as a socioeconomic development tool. In the tradition of practice in the field leading doctrinal development, Commanders in Iraq and Afghanistan have developed the emerging doctrine of Money as a Weapon System (MAAWS). MAAWS recognizes that,

in a Counterinsurgency (COIN) environment, money and contracting are vital elements of combat power, while also recognizing that leaders at the brigade level and below lack the expertise necessary to employ them as such.<sup>37</sup> The Afghan First program is an example of contracting as a development tool. This program focuses on awarding contracts as a method of developing the local economy and assisting local firms in learning modern business practices. Programs like Afghan First reach beyond the common approach of hiring U.S. contractors who hire local nationals. They include efforts to build local capacity by training local businessmen to bid on and win jobs on their own. The Iraq Trucking Network and nascent Afghan Trucking Network are similar programs. These companies seek to contract with the U.S. Government to develop local capacity by engaging local power brokers to form consortiums of trucking companies. They expect to band sheiks together across tribal boundaries to support coalition operations while building a basis for post-war cooperation. They expect to create economic dependencies that will ultimately benefit a central government and aid in the reconstruction of the country by providing a ready-made transportation infrastructure.<sup>38</sup>

Whatever the criticisms, contracted logistics are indispensable on the modern battlefield. Contracting and contracted services can be valuable tools in the reconstruction effort, can support the Combatant Commander's intent, can save the taxpayer money in many cases, and may provide superior service to the Soldier. Contracted logistics do, however, have their pitfalls.

#### Correcting Problems with Contracted Logistics Services

Without careful financial analysis and astute oversight, contracts may offer no financial advantages to the American taxpayer. Contracts may attract corruption and corrupt the local economy as well as the U.S. Government. Finally, contracts are not a

panacea for a fully resourced military and should not be sourced solely on financial decisions. Contracting logistics services are a strategic decision that should be made after careful consideration of the strategic and operational objectives, financial analysis of the costs and savings, and a risk assessment.

*Recommendations for Reform of Contracted Logistics.* The U.S. Military in general and the U.S. Army in particular, have to make a number of improvements to ensure effectiveness of contract logistics and stewardship of taxpayer dollars. Fortunately, there have been no shortages of recommendations for reform of military contracting over the last decade. The CWC cites 1,287 recommendations in 537 reports issued by agencies as varied as the Department of Defense Inspector General (DODIG), the service Audit Agencies, the Special Inspectors General for Iraq and Afghanistan, the Department of State, the Government Accountability Office (GAO), and the Congressional Budget Office.<sup>39</sup> Because of the sheer number of reports and recommendations, this paper will focus on four of the most recent and relevant reports: The Gansler Commission Report, the Commission on Wartime Contracting Interim Report, and the Congressional Research Service report entitled *Defense Logistical Support Contracts in Iraq and Afghanistan: Issues for Congress* and the Rand Corporation report entitled *How Should the Army Use Contractors on the Battlefield?: Assessing Comparative Risk in Sourcing Decisions*.

The Gansler Commission was established in 2007 by the Secretary of the Army to study Acquisition and Program Management in the Expeditionary Army, to review lessons learned, and to provide recommendations. Gansler found that the institutional

Army had not adapted to the expeditionary environment and made four major recommendations:

- 1) Increase the stature, quantity, and career development of military and civilian contracting personnel (to include establishment of an expanded contract/acquisition career field and General Officer leadership for the career field).
- 2) Restructure organizations and restore responsibility to facilitate contracting and contract management.
- 3) Provide training and tools for all contracting activities.
- 4) Obtain legislative, regulatory and policy assistance to enable contracting effectiveness. This would include statutory revisions to the Federal Acquisition Regulation (FAR) for contingency operations and clearly articulated policy in the form of an expeditionary contracting manual.

Gansler's recommendations recognized that the acquisition and contracting workload had increased 600 percent as a result of expeditionary operations, and that this increase was not matched by an increase in the workforce. Its recommendations focused on this realization and the need to rebuild the workforce.<sup>40</sup>

Like Gansler, the CWC cited an increased contract workload, pointing out that the value of military contracts has more than doubled, from \$92 billion dollars in 2001 to over \$200 billion dollars in 2008, with no attendant increase in the acquisition or contract workforce.<sup>41</sup> The interim CWC report stops short of making explicit recommendations, but makes a number of observations that are in line with those of the Gansler Commission. CWC makes the points that the skilled acquisition workforce

needs additional development, that the contingency contracting workforce is severely understaffed, and that Contracting Officer's Representatives (CORs) are both under-assigned and undertrained. Also like the Gansler Commission, the CWC recognized the need for additional Defense Contract Management Agency (DCMA) and Defense Contract Audit Agency (DCAA) resources and the need for more effective data systems.<sup>42</sup>

The Congressional Research Service (CRS) gives Congress a number of options for addressing contracting shortfalls. Their recommendations for Congress included accepting the Gansler Commission recommendations, expanding the authority of the Special Inspectors General for Reconstruction, convening a study of the federal employee and contract workforce, requiring more detailed reporting for better oversight and establishment of a dedicated office to conduct audits and investigations of DOD contracts.<sup>43</sup>

Finally, the Rand Corporation Study suggests that the Army's Risk management process be incorporated into sourcing decisions for contractors on the battlefield and suggests that this methodology will suggest the best uses of contract logistics support.<sup>44</sup> It recommends that risk management be applied to sourcing decisions made outside the Army (in Congress and the DOD), in sourcing decisions made in the acquisition community, in force management and design venues and in system design venues in order to best determine the mix of contract and military force structure provided logistics.<sup>45</sup>

These studies all point the way for the future of contract logistics in the Army. Taken individually, they are good ideas, but collectively, implemented as a



comprehensive program, they suggest the best way to institutionalize contract logistics. Institutionalizing contracted logistics means more than just organizational and staffing changes; it also includes inserting contractors into the training and planning processes, training commanders so that they know how to employ contractors, and creation of contract planning staff positions in operational headquarters.<sup>46</sup>

### The Way Forward – Incorporating Contract Logistics into Army Force Structure and Doctrine

Contract logistics are clearly here to stay as a component of Army logistics force structure. Whether for supplies and services such as those provided by LOGCAP, for transportation like that provided by the Afghanistan HNT contract and aviation contracts, or for maintenance of high technology equipment, contractors can offer a way to mitigate risk and reduce spiraling costs. These best case outcomes, however, will only come about if the Army does an effective job of institutionalizing contractors and puts systems in place to manage contractors effectively.

The effort should begin with acceptance of the Gansler Commission recommendations concerning the professional acquisition and contracting workforce. The Army must not only increase the number of contracting professionals in its ranks, it must develop career paths and training programs that begin in the junior ranks and progress to the General Officer/Senior Enlisted ranks. The Air Force, for example, offers professional career paths for its contracting workforce for junior officers and non-commissioned officers alike. The Army need not reassess its traditional officer development paradigm that focuses on developmental assignments during the company grade years (Lieutenant through Captain) to achieve this end. The Warrant Officer Corps provides a ready-made cadre of technical experts who, if a contracting Military

Occupational Specialty (MOS) were available, could bolster the ranks of contracting professionals. Mid-grade and senior Non-Commissioned Officers should be offered a contracting MOS and Department of the Army Civilians (DACs) also offer viable alternatives for contracting workforce expansion. Fortunately, there are indications that the Army is taking these recommendations to heart. The Washington Post recently reported that the Army plans to hire 1,650 contracting professionals over the next five years, which begins to redress some of the imbalances in the workforce.<sup>47</sup>

Expanding the professional contracting workforce is not sufficient to ensure better use of contractors on the battlefield. The Army must clearly define doctrine for use of contractors and give planners tools with which to assess contract versus military logistics solutions. The risk management methodology proposed by Rand offers a viable doctrinal option for deciding the best use of contractors, but Commanders and staffs often lack business acumen to accurately assess contractor costs and deal with contractors. In addition to doctrine, then, training is required for logisticians and should be incorporated into both institutional training (Officer and Non-Commissioned Officer Education Systems) and unit training, along with the information systems tools to provide effective business analysis. Business acumen in Army Logisticians can be expanded through additional civilian education programs (Masters of Business Administration programs) and expansion of the Training With Industry (TWI) program. Logisticians in units must be trained to extend their skill sets beyond performing logistics functions to supervising contractors who provide logistics service.

Beyond workforce expansion and additional training and systems, contract services must be packaged into capabilities based “force structure” to standardize their

operations. While military force structure is defined in terms of Modified Tables of Organization and Equipment (MTOEs) that define quantities of equipment and numbers of personnel, modular contract logistics packages can just as easily be defined as standardized Statements of Work (SOW) or Performance Work Statements (PWS) that offer specific capabilities. Planners can then conduct the risk analysis to determine whether a military logistics solution or contract logistics solution is preferable. The LOGCAP IV contract begins this process with a standardized menu of services in the PWS, but additional institutionalization of the contract logistics slice is required. Current Army policy prohibits contractors from permanently replacing force structure.<sup>48</sup> This policy ignores de facto contractor replacement of significant Combat Service Support (CSS) force structure (amply demonstrated in recent conflicts) and creates a roadblock to effective centralized planning for contractor use. A better policy would acknowledge contractor indispensability and identify those capabilities that should be sourced from the private sector in standard packages. For example, in the CBO study referenced earlier, 177 units were required to match the capabilities of a LOGCAP task order in Iraq and only 104 uncommitted units of the appropriate type were available. A realistic Army policy would acknowledge the 73 unit shortfall, centrally plan for contracted force structure, and incorporate this into Guidance for Development of the Force in the Joint Strategic Planning System. The use of contractors would thus become a strategic decision, with strategic consideration of the associated risks, trade-offs and resources required, as opposed to an operational or tactical decision. This approach will eliminate some flexibility in contracts, but will provide for maximum efficiency of the contracted solution.

Contractor oversight must also be improved at the unit level. Even with expansion of the professional contract workforce, there will never be enough contracting professionals to provide comprehensive oversight of contractors, so units are required to provide Contracting Officer's Representatives (CORs) for day-to-day oversight. Unfortunately, units frequently ignore the requirement, and as a result, contractors go unsupervised. COR training, assignment, and performance of duty must become items of command emphasis if the Army is serious about effective stewardship of taxpayer dollars. Units and staffs must be trained to fulfill this requirement and effective management systems must be put in place to ensure compliance.

The answer to the Commission on Wartime Contracting's query, "at what cost?" is obvious. The Army must bolster its professional contracting workforce, revise doctrine and training to incorporate contract logistics as a real element of force structure, and must enforce unit provision of CORs to provide proper oversight of contractors. Paying the cost requires a recognition that contractors are not a convenience (or nuisance), but an indispensable component of Army force structure. By paying the cost, the Army can continue to reap the benefits of contract logistics while ensuring proper stewardship of American resources.

### Endnotes

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<sup>2</sup> P.W. Singer, *Corporate Warriors: The Rise of the Privatized Military Industry* (Ithaca, NY: Cornell University Press, 2008), 143.

<sup>3</sup> Ibid., 260.

<sup>4</sup> U.S. Department of the Army, *Contractors on the Battlefield*, Field Manual 3-100.21 (Washington, DC: U.S. Department of the Army, January 3, 2003), 1-1.

<sup>5</sup> Ibid., 1-7.

<sup>6</sup> Althouse.

<sup>7</sup> Nathan E. Hill, *Military Contractors – Too Much Dependence?*, Strategy Research Project (Carlisle Barracks: U.S. Army War College, 15 March 2008), 2.

<sup>8</sup> August Cole. "Afghanistan Contractors Outnumber Troops." *Wall Street Journal* (New York), August 22, 2009.

<sup>9</sup> Eric A.Orsini and Gary T. Bublitz. "Contractors on the Battlefield: Risks on the Road Ahead?." <http://www.almc.army.mil/ALOG/issues/JanFeb99/MS376.htm> (accessed May 8, 2010).

<sup>10</sup> Valerie Bailey Grasso, John R. Luckey, and Kate M.Manuel, *Inherently Governmental Functions and Department of Defense Operations: Background, Issues, and Options for Congress* (Washington, D.C.: Congressional Research Service, July 22, 2009) 3.

<sup>11</sup> Comission on Wartime Contracting, *At What Cost?: Contingency Contracting in Iraq and Afghanistan : Interim Report to Congress* (Arlington, VA: Commission on Wartime Contracting in Iraq and Afghanistan, 2009) 27.

<sup>12</sup> Ibid., 46.

<sup>13</sup> Ibid., 49.

<sup>14</sup> Ibid., 44.

<sup>15</sup> U.S. Department of the Army, *Contractors on the Battlefield*, Field Manual 3-100.21, 1-8.

<sup>16</sup> David M. Hammons and La'Tonya Jordan. *Forward Operating Base Survey Results* (Kandahar, Afghanistan: 143d Expeditionary Sustainment Command, 2009).

<sup>17</sup> Ibid., 3.

<sup>18</sup> Mark Cancian. "Contractors: The New Element of Military Force Structure." *Parameters* XXXVIII, no. 3 (Autumn 2008): 67.

<sup>19</sup> Ibid., 69.

<sup>20</sup> Frank Camm and Victoria A. Greenfield. *How Should the Army Use Contractors on the Battlefield?: Assessing Comparative Risk in Sourcing Decisions*, Arlington, VA: Rand Arroyo Center, 2005. 175.

<sup>21</sup> Singer, 245.

<sup>22</sup> Ibid., 177.

<sup>23</sup> United States Congressional Budget Office, *Logistics Support for Deployed Military Forces* (Washington, DC: U.S. Government Printing Office, 2005), 27.

<sup>24</sup> *Ibid.*, 28.

<sup>25</sup> *Ibid.*, 32.

<sup>26</sup> *Ibid.*, 37.

<sup>27</sup> *Ibid.*, 41.

<sup>28</sup> David M. Hammons. Support Provided by HNT and Aviation Contractors in Afghanistan. 20 Dec. 2009. Raw data. Kandahar Airfield, Kandahar, Afghanistan.

<sup>29</sup> David M. Hammons. Notes on Afghanistan Aviation Contracts. Sept. 2009. Raw data. Kandahar Airfield, Kandahar, Afghanistan.

<sup>30</sup> U.S. Department of the Army, *Utility and Cargo Helicopter Operations*, Field Manual 3-04.113 (Washington, DC: U.S. Department of the Army, December 7, 2007), C-10.

<sup>31</sup> "Modernizing the Army's Rotary-Wing Aviation Fleet." Congressional Budget Office - Home Page. <http://www.cbo.gov/ftpdocs/88xx/doc8865/Frontmatter.1.2.shtml> (accessed May 9, 2010).

<sup>32</sup> Calculations performed using methodology outlined in : US Congressional Budget Office. *Logistics Support for Deployed Military Forces*. Appendix C.

<sup>33</sup> David M. Hammons. Support Provided by HNT and Aviation Contractors in Afghanistan.

<sup>34</sup> U.S. Department of the Army, *Army Motor Transport Units and Operations*, Field Manual 55-30 (Washington, DC: U.S. Department of the Army, June 27, 1997), 1-7.

<sup>35</sup> Aram Roston. "How the US Army Protects Its Trucks - By Paying the Taliban." *Guardian*, November 13, 2009, 53.

<sup>36</sup> Calculations performed using methodology outlined in : US Congressional Budget Office. *Logistics Support for Deployed Military Forces*. Appendix C.

<sup>37</sup> US Army Center for Army Lessons Learned, "Commander's Guide to Money as a Weapons System Handbook" 2008. <http://usacac.army.mil/cac2/call/docs/09-27/toc.asp> (accessed May 8, 2010).

<sup>38</sup> United States Forces Iraq, "Transportation Network Makes History " [http://www.usf-iraq.com/?option=com\\_content&task=view&id=24582&Itemid=225](http://www.usf-iraq.com/?option=com_content&task=view&id=24582&Itemid=225) (accessed May 9, 2010).

<sup>39</sup> Commission on Wartime Contracting "At What Cost?: Contingency Contracting in Iraq and Afghanistan : Interim Report to Congress". 25.

<sup>40</sup> "Army Accepts Gansler Commission Report on Contracting; Commits to Action." Linked from The United States Army Homepage. <http://www.army.mil/-newsreleases/2007/11/01/5901->

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<sup>41</sup> Commission on Wartime Contracting “*At What Cost?: Contingency Contracting in Iraq and Afghanistan : Interim Report to Congress*” 44.

<sup>42</sup> Commission on Wartime Contracting “*At What Cost?: Contingency Contracting in Iraq and Afghanistan : Interim Report to Congress*” 42.

<sup>43</sup> Valerie Bailey Grasso. *Defense Logistical Support Contracts in Iraq and Afghanistan Issues for Congress*. (Washington, D.C.: June 24, 2009): Congressional Research Service, 2009.

<sup>44</sup> The Rand Corporation study by Camm and Greenfield suggests that the Army’s existing risk management process is sufficient as a tool for deciding when and how to use contractors. The risk management process is a five-step process: 1) Identify hazards, 2) Assess hazards to determine risk in terms of probability, severity and risk level, 3) Develop controls or mitigations and make risk decisions, 4) Implement controls, 5) Supervise and evaluate. Camm and Greenfield, 12.

<sup>45</sup> Camm and Greenfield, xxi.

<sup>46</sup> Cancian, 75.

<sup>47</sup> Dana Hedgpeth. "Pentagon Planning More Oversight of War-zone Contractors." <http://www.washingtonpost.com/wpdyn/content/article/2010/04/19/AR2010041902162.html> (accessed May 9, 2010).

<sup>48</sup> U.S. Department of the Army, *Contractors on the Battlefield*, Field Manual 3-100.21, 1-8.

