

Army Overdependency on Contractors

EWS 2005

Subject Area Topical Issues

Contemporary Issues Paper
Submitted by Captain HL Morris
To
Major GS Benson, CG 8
February 20, 2005

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE 20 FEB 2005		2. REPORT TYPE		3. DATES COVERED 00-00-2005 to 00-00-2005	
4. TITLE AND SUBTITLE Army Overdependency on Contractors				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) United States Marine Corps, Command and Staff College, Marine Corps Combat Development, Marine Corps University, 2076 South Street, Quantico, VA, 22134-5068				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT	b. ABSTRACT	c. THIS PAGE			
unclassified	unclassified	unclassified	Same as Report (SAR)	10	

In recent years, the Army, as well as the military at large, have been progressively delegating many billets traditionally held by uniformed personnel to civilians and creating new billets for civilians by contracting jobs out to private companies, thus creating an increasing reliance on civilian contractors, especially for the development and maintenance of systems.

While civilian contractors have supported the Army since its inception, the current proliferation of contractors in every facet of military support, including on the battlefield, is disconcerting because it creates the potential for dependence on the contractors' skills and decreases soldiers' overall combat readiness. Recent events both prior to and during the Army's most recent conflict have begun to validate these concerns and illustrated that, even though contractors are prohibited from doing certain Army jobs, this has not stopped them from becoming vital to the development and upkeep of

essential Army systems, especially the technology-heavy command and control systems. As such, many soldiers have concluded that the Army and must minimize its current dependency on contractors in order to maintain combat effectiveness and take back control of its systems.

The Genesis of the Current Army Contracting Situation

The reasons for the Army's shift towards civilian employ are threefold: (1) budget constraints -- the Army's budget has dropped from \$120.7 billion in FY89 to \$92.8 billion in FY04 (figures adjusted for inflation)⁶; (2) personnel constraints -- the Army's active-duty force has dropped from 789,000 personnel in FY89 to 499,000 personnel in FY04¹ without a corresponding drop in force obligations; (3) and the increasingly complex and technical nature of today's battlefield systems.

In order to maintain the Army's powerful military presence in the face of these limiting factors, the Department of Defense began to look at contracting as a

possible solution in the mid 1990's "to improve logistics processes and achieve savings" while making "greater use of improved technologies."³

The below guidelines set forth in FMs 100-10-2 and 100-21 indicate that the Army never intended for contractors to hold the vital role they hold today in which operations often cannot be carried out without them. For example, the guidelines specified that contractors were not to replace force structure, but rather they were to augment Army capabilities and provide additional options for meeting support requirements. Additionally, plans were to be put in place so that service would not be interrupted if the contractor failed to perform. The guidelines also mandated that the Army had to be capable of providing critical support prior to the arrival of the contractors in the theater or in the event that the contractors failed to deploy or were unable to provide the contracted for services.¹

Benefits and Problems With Contracting Out Services

Contracting services out to civilian companies does have benefits in areas in which the Army does not have the capability to provide (i.e.: sewage treatment), or when the status of forces agreement constrains the force size, and contracting out the food service billets permits the Army to maximize its combat forces.

However, even though contractors are prohibited from filling certain roles in the Army, this does not seem to have stopped them from becoming vital to many Army functions, including the development and maintenance of command and control systems.

The increasing complexity of battlefield systems has become a justification for contracting the development of such systems. For example, when using contractor logistics support for development of the Trojan SPIRIT II satellite communications terminal, the Army stated that "the complexity of the equipment and the lack of technical

documentation made it uneconomical to develop in-house capability [when] a more cost-effective commercial facility already existed."⁵ In this case, once it became known that there were commercial facilities that could handle the development at a "reasonable" cost, no studies were conducted to calculate or compare the costs of keeping the development within the military or contracting it out. Situations such as the one with the Trojan SPIRIT create an unfortunate dependence for the Army on the civilian contractor familiar with the system -- the contractor must perform any maintenance or service to the system because they alone possess intimate knowledge of the system. Any attempt by the Army to acquire this knowledge after the fact is usually cost-prohibitive. For example, when the Army tried to buy technical data to develop an in-house capability to repair its AN/PSC-5 Spitfire tactical satellite terminal from the civilian contractor who designed the terminal, "The manufacturer was willing to

sell the data for \$100 million, almost as much as what the entire program cost (\$120 million) from 1996 through 2001. Program officials decided they could not afford the data, and the Army will continue to buy repair services noncompetitively from the manufacturer."³

That the Army did and continues to place itself in such situations is brought about in part by specious reasoning. While contracting out services appears to be more cost effective, actual evidence that supports the contracting out of system development and maintenance is lacking. As of February 2002, the Army did not have sufficient data to show any savings or greater cost effectiveness for 83% of its systems whose development and maintenance were awarded to civilian contractors.⁵

Additionally, because the Army does not "divide its depot-level maintenance work for the same items between Army and contractor facilities"⁵, it is extremely difficult to determine whether contracting out system maintenance is

more cost efficient than if the Army had done the work itself using organic assets.

One gets the impression that rather than actually conducting some sort of cost analysis, contracting is often chosen for its assumed cost effectiveness.

Recommendation

In order to take back some control over the development and maintenance of its systems, the Army must first conduct more thorough cost analyses on whether to develop systems "in house" or to use a civilian contractor. With all systems, the "core capabilities", or that portion of a given functional Army capability that must remain in the "green suit" force structure, must be identified, and the billets that support those capabilities filled with soldiers, especially concerning the maintenance of the system. This will allow units to acquire and retain the knowledge and skill necessary to better manipulate and

maintain their equipment and on the battlefield and to minimize the unit's civilian cohort.

Conclusion

The idea that the Army's increasing use of civilian contractors may affect troops' ability to accomplish their missions is a common one in the operating forces. And while not totally unfounded, at this juncture it is difficult to gauge how much of an effect it will have. It's difficult to judge how, if at all, the Army's reliance on civilian contractors' technical expertise has affected the operating forces' combat effectiveness, but one can say with a degree of certainty that it is affecting the Army's ability to develop and maintain critical skills and knowledge, as well as costing the Army more than anticipated by not having affordable technical data on hand to develop additional or new sources of repair and maintenance.

1. Headquarters Department of the Army Field Manual 100-10-2, *Contracting Support on the Battlefield*, January 2003.
2. U.S. Army Field Manual 100-21, *Contractors on the Battlefield*, January 2003.
3. Fortner, Joe A., "Institutionalizing Contractor Support on the Battlefield," *Army Logistician* 32; issue 4 (2000):1-12.
4. Fortner, Joe A., "Managing, Deploying, Sustaining, and Protecting Contractors on the Battlefield," *Army Logistician* 32; issue 6 (2000):1-7.
5. United States General Accounting Office, *GAO Report to Congressional Committees DEFENSE LOGISTICS - Opportunities to Improve the Army's and the Navy's Decision-making Process for Weapons Systems Support*, February 2002.
6. Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates - FY 2004*, March 2003.