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MILITARY CONTRACTING: THE FORCE MULTIPLIER WITH A SLIPPERY SLOPE

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Solo Flight

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Military Contracting: The Force Multiplier with a Slippery Slope

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Military Contracting; The Force Multiplier with a Slippery Slope

“Contractors represent more than half of the U.S. presence in the contingency operations in Iraq and Afghanistan, at times employing more than a quarter-million people. They have performed vital tasks in support of U.S. defense, diplomatic, and development objectives. But the cost has been high. Poor planning, management, and oversight of contracts has led to massive waste and has damaged these objectives.”

---*Transforming Wartime Contracting*, Report to US Congress, August 2011

INTRODUCTION

Contracting for military operations can be a significant force multiplier.¹ It provides a military force with capabilities enabling mission success. Such capabilities and advantages include speed of deployment, continuity, easement of demand on troops, provision of a low cost and fast way to generate a capability, reduction of military casualties and also contracting can in some cases temporarily offer some positive benefits to the local economy. The advantages are quite well known and even accepted by the community.² It may not be obvious to one who has never conducted such contracting or has not reviewed the literature but if not executed with care and planning, deployed contracting can generate some significant negative and unanticipated effects.

Military contracting has been the source of fraud, wastage, corruption and even harm to the local economy and the citizens of the host nation. The practice has also unarmed the military force of control so that the critical contracted duties such as logistics, communications, construction, transportation, armed security and many other

¹ Daniel J Odonohue, “Joint Publication 4-10 Operational Contract Support”, Report for the Chairman Joint Chiefs of Staff, (March 2019).

² T.X Hammes, “Private Contractors in Conflict Zones, The Good, The Bad and the Strategic Impact”, Joint Force Quarterly, issue 60, (1st quarter, 2011).

tasks are being conducted contrary to the intent, standards and guidelines of the force. As a result, the mission of the military force is jeopardized, and the true strategic effect is not realized fully or is diminished. From an internal perspective, the contracting of services can lead to force skill fade and an inequity of pay between military and the contracted force resulting in low soldier morale and retention issues. On the flipside and in the name of profitability and company growth, civilian companies are putting the values of their company and those of their employees to the test in vying for military contracts and supporting military activities. This causes conflict and disruption within the company and can unfortunately lead to the decreased profitability of operations and a decrease in shareholder value. Regrettably, it is likely that it was for such balance sheet motivators that the firm had enthusiastically ventured into the space of military contracts in the first place.

This paper contends that with the positive outcomes and the practical uses of contracting for a military force there can be significant unanticipated and negative outcomes. To illustrate this, a review of the advantages of contracting will proceed an outline of the impacts on the local economy, the military force and the contracted firm. Lastly and in conclusion, a consideration will be given to what steps a military force can follow in order to avoid the pitfalls.

ADVANTAGES OF MILITARY CONTRACTING

There are many practical advantages to military contracting that can be beneficial for a military force during the major stages of an operation. During the predeployment preparation phase, contracted services can enhance operational responsiveness by reducing strategic lift requirements allowing prioritization of combat power in the

deployment process. Once in theatre, contracting can enhance the responsiveness of the in theatre joint reception, staging, onward movement and integration process by leveraging locally contracted facilities, equipment and a skilled workforce. Once a mission is stood up, contracting services can be used to augment or satisfy existing high demand immediate requirements such as that of interpreter or cultural advisor. In addition, technical capabilities that are difficult to generate such as soil / water testing and site remediation represent just a few of the niches that contractors can readily fill.³

In addition to the above benefits of contracting there are several advantages that contractors can provide for the military force that military personnel or civil servants can not. Contracted personnel can be mobilized and deployed quickly. Once in theatre, critical roles requiring many workers can be quickly filled by tapping into the local community for tasks such as running base camps, driving, and essential housekeeping chores that are essential in supporting military personnel. Secondly, there is more continuity in engaging contractors in theatre. Normally, a military force will rotate personnel into theatre every six to twelve months whereas contractors are willing and able to stay for longer periods as working for the deployed force does not require them to be away from home. It stands to reason that the longer that the same employees are in place providing these services, the more efficient they perform them and the less assistance and guidance they may require from the military force.

Furthermore, from a macro resource management perspective, an advantage that contractors provide the whole military force is that contracting eases pressure on troop

³ Daniel J Odonohue, "Joint Publication 4-10 Operational Contract Support", *Report for the Chairman Joint Chiefs of Staff*, (March 2019)

requirements by replacing military personnel. This reduces the military and political resources that are required for the deployment providing flexibility to allow the force to reconstitute forces and/or engage in a greater number of operations around the globe. For example, in April 2008, DOD reported that they were employing 163,900 contractors supporting 160,000 troops in Iraq. As such, the government was able to save or otherwise repurpose a great deal of human capital.⁴ On a more morbid yet not insignificant note, contractors not only provide relief in tempo but they also reduce military casualties. In Iraq, contractors accounted for 25 % of the killed in action and in the first 2 quarters of 2010 alone, contractor deaths represented 54% of all fatalities.

From an economic standpoint, the engagement of and financial commitment to contractors can be terminated once the requirement is over. This is much unlike the arrangements made with military or government employees who will remain on the payroll or return home and assume Reserve status. Lastly, in some cases contracting can provide short term economic inputs to the local economies through job creation and funding injection.

It is clear that the advantages described above are well recognized by the military superpowers and the dollar value of military contracting reflects that fact. The United States has the largest defense budget in the world and was registered at \$610 billion in 2017.⁵ In the same year, the DOD had reported \$507 billion in military contract

⁴ T.X Hammes, "Private Contractors in Conflict Zones, The Good, The Bad and the Strategic Impact", Joint Force Quarterly, issue 60, (1st quarter, 2011)

⁵ Defense News Website, "US remains top military spender, SIPRI reports", <https://www.defensenews.com/industry/2018/05/02/us-remains-top-military-spender-sipri-reports/>, Last Accessed 12 April 2020

obligations amounting to 8% of the total federal budget with 65% of this amount spent overseas.⁶ The dollar value spent on contracting is massive and it is clear that this is a critical part of military operations. As such, it is very important that the practice be executed efficiently and carefully.

WASTE, FRAUD, ABUSE AND CRIME

At least \$31 billion, and even as much as \$60 billion has been lost to contract waste and fraud in America's contingency operations in Iraq and Afghanistan.⁷ There are several ways that this waste and fraud occurred. Firstly, some projects were ill conceived and did not fit the cultural, political and economic norms of the society that they were meant to support. This is especially true if the project can not be properly supported and maintained. Secondly, poor planning and oversight on the part of the government in combination with poor performance on the part of the contractors can have disastrous outcomes. Time and money is misspent and then not made available for other requirements so that critical missions fail and lives are lost. Further, it has been estimated that the US has lost billions of dollars in purchasing wasted equipment which is either burned or left behind in theatre. A significant contributor to the problem is seen to be the lack of contract and vendor oversight. The Pentagon has over 1.7 million contracts in place making oversight challenging if not impossible. During the Iraq and Afghanistan conflicts, firms like Halliburton (later known as KBR) and others were able to get away

⁶ Moshe Schwartz et al. "Defense Acquisitions: How and Where DOD Spends Its Contracting Dollars", Congressional Research Service Report, July 2, 2008

⁷ Harvard Political Review, "Waste, Greed and Fraud: The Business that makes the World's Greatest Army, <https://harvardpolitics.com/united-states/waste-greed-fraud-business-makes-worlds-greatest-army/>, Last Accessed 5 April 2020

with what has been characterized as criminal levels of waste committed in the fog of war because the Contracting Officers could not provide enough oversight and scrutiny over the contract and the day to day vendor activity and performance. In some cases, billions of dollars went missing as contractors were overcharging for the carrying out of many essential services such as laundering for the troops, feeding and also the construction of shoddy facilities for schools with poorly installed infrastructure for water and electricity.⁸

A third way that wastage rears its head in the contracting sphere is from criminal behaviour and corruption. Significant amounts of money are changing hands with the issuing and maintaining of contracts. Unfortunately, criminal behaviour serves to detract from the success and productivity of the projects and represents massive waste. Sadly, this becomes the norm in some instances. It is extremely troubling to learn that KBR has been linked to purported human trafficking. In late 2008, reporters discovered a windowless warehouse on the Camp Victory complex outside Baghdad. In this warehouse, 1,000 men from Bangladesh, India, Nepal, and Sri Lanka were found to be held in prisonlike conditions. The men were hired by a KBR subcontractor. At the same time, another KBR subcontractor was sued for allegedly kidnapping Asian workers into Iraq after falsely promising them high-paying jobs.⁹

It may be a common misconception that conflict and the spinoffs of contracting naturally offer lasting and positive economic benefits to the host nation. A study of six major U.S. wars including World War II, the Korean War, the Vietnam War, the Cold

⁸ *Ibid*

⁹ Mother Jones Website, "The All-Time 10 Worst Military Contracting Boondoggles", <https://www.motherjones.com/politics/2011/09/contractor-waste-iraq-kbr/>, Last Accessed 5 April 2020

War, and the wars in Afghanistan and Iraq found that over time the conflicts negatively affected the measure of national economy, taxes, debt, jobs, investment and inflation. In most wars public debt, inflation, and tax rates all increase while consumption and investment decrease. Military spending in the host nation displaces more productive government investment in high-tech industries, education, or infrastructure. As a result, long-term economic growth rates are significantly diminished. While it may be true that military spending in the form of contracting may offer some short term economic benefit once the fighting starts, certainly after it ends and the dust has settled, the unintended consequences of military spending on the economy are severe and numerous. “War is good for the economy” is a myth.¹⁰

THE FORCE AND MISSION

When a military force reaches into a local population for local citizens to perform mission critical tasks, there are some drawbacks. One of these is quality control. The military does not train or hire the individuals who are being tasked to carry out the duties and therefore can not ensure that the quality of the services/goods will be what was promised or expected. During the Iraq conflict, a contractor was put in charge of recruiting a security force to combat suicide bombers. The promise from the contracted company was that they would provide former Gurkhas for the task. Unfortunately, what was provided was untrained and underequipped Nepalese villagers. They could not provide the security that they were hired for and it is frightening to consider that while

¹⁰ Peace Science Digest Website, “The Effects of Military Spending on Economic Growth”, <https://peacesciencedigest.org/effects-military-spending-economic-growth/>, Last Accessed 5 April 2020

under contract they were also given arms and the authorization to use deadly force.¹¹

Surely, the security that was required and promised was not provided and this had direct results on the mission at hand. The security domain is but one example of a critical service that is often contracted and can produce damaging results if not executed properly. Other such domains are building construction, lodging, feeding, laundry services, communications and all manner of real-life support.

A closely related drawback that underscores the above point is what results from the fact that the military force remains solely responsible for everything that the contractor does. This can represent a necessary leap of faith that can backfire in some cases. In the Iraq conflict, villagers demonstrated frustration with local companies who did not deliver on the projects they were supposed to complete. Further, there was a sense that contracted security forces would not get punished for killing citizens and were operating above the law for their own interests.¹² Missions with a goal to win the hearts and minds of the local citizens are severely challenged with this juxtaposition of accountability and the lack of control.

Contracting critical functions decreases the independence of the military that defines the force. When the military contracts out essential tasks such as feeding, doctrine development, security and many others it is essentially selling large tracts of its professionalism. The independence of the force degrades and is lost. In addition, the military loses the ability to sustain and regenerate its expertise and skills, develop the

11 T.X Hammes, "Private Contractors in Conflict Zones, The Good, The Bad and the Strategic Impact", Joint Force Quarterly, issue 60, (1st quarter, 2011)

12 Ibid

next generation of professionals and as an institution to nurture the ability to think creatively about new problems. These are necessities of all professions that are healthy and striving to continuously and progressively advance. A force that chooses short term expediency over long term professional health and organic growth inadvertently chooses slow professional death.¹³

The drawbacks are not limited to the above and the future footing of the military. When analyzing the day to day effects that contracting has on the morale and retention of soldiers, some shocking results come to light. When asked if the disparity between contractor pay and military member pay was detrimental to morale during the Iraq conflict, 55% of lower ranking younger soldiers deemed that was a true statement.¹⁴ This is a most significant piece of data considering the important role that morale plays in the retention of members and the prospect of building a healthy future for the force.

THE FIRM

The above discussion has focused on how contracting can help and also detract from a military force and the mission at hand. It may not be obvious but there are effects on the contracting firm that must be pointed out. Firms that are often times engaged by the militaries of the world for defense contracting are major fortune 500 companies

¹³ Col Mathew Moten, "The Army Officers Professional Ethic, Past, Present and Future", Feb 2010

¹⁴ Rand Corporation Website, "Hired Guns: Views About Armed Contractors in Operation Iraqi Freedom", https://www.rand.org/content/dam/rand/pubs/monographs/2010/RAND_MG987.pdf, Last Accessed 12 April 2020

including Lockheed-Martin, Northrup Grumman, BAE Systems, Thales, Airbus Defense & Space Industries, General Dynamics, Raytheon and many others.

There are many ethical issues that the contracting of defense and security requirements can raise. For example, engineers that work for private defense firms that have developed and built a new weapons system may find themselves on the front line of battle. Often times with new technology, technical teams are sent into theatre and even outside the wire to assist with the training, maintenance and even re-engineering of systems. Legally, if they are to be attacked, the civilians are classified as hostile combatants as opposed to immune civilian personnel. In addition, they have never accepted unlimited liability as a soldier has, may have not received the training and they may very well be morally opposed to violence and military action. Another example is that of private security guards who are employed to support a convoy can find themselves pinned down under attack by insurgents. To the outside world looking in, this may appear to be a conventional military altercation with the enemy but it is not. In these cases, civilian contractors find themselves in danger, without proper legal ground to fight back against an enemy and also in ethical dilemmas. Such realistic situations can negatively impact the employees, employees' families and also the good name and the future financial prosperity of the firm they represent.¹⁵

To further explore the ethical side of defense contracting, Google is an excellent example of a firm that has experienced an identity crisis. Google was awarded with

¹⁵ University of Pennsylvania Law Files Website, "Chapter Six The Ethics and Defense of Private Security Contracting", <https://www.law.upenn.edu/live/files/4209-george-lucas-ethics-and-defense-contractingpdf>, Last Accessed 11 April 2020

Project Maven by the DoD. Maven is an Artificial Intelligence (AI) project that studies imagery and could eventually be used to improve drone strikes in the battlefield.¹⁶ When it was announced that the technology firm had won and would be undertaking the contract that had the potential to be worth \$250 million/year, there was significant disgruntlement within the Google employee base. Four thousand Google employees signed a petition representing their desire for Google to leave the business of war and pledge to never develop any technologies for military use. Employees were concerned that the image recognition technology could one day be used to kill.

From the Google perspective and the perspective of many other profit driven technology companies, defense contracts represent significant, alternate and future revenue streams leading to increased shareholder value and company success. The basics of capitalism can in some cases outweigh moral considerations and the keystone founding values of such firms. In the particular case with Google, the firm opted to not renew the contract with the Pentagon.¹⁷ This retreat was not executed without significant opportunity cost, monetary/human capital start-up costs and the potential jeopardizing of future relations and contracts with the Government. Clearly, when they made the decision, Google executives were aware that there would be another company who would be happy to do the work in their place and have their coffers injected with government funds. Surely, they were

¹⁶ Goal News Website, "What is Project Maven? The Pentagon AI project Google employees want out of", <https://globalnews.ca/news/4125382/google-pentagon-ai-project-maven/>, Last Accessed 11 April, 2020

¹⁷ New York Times Website, "Google Will Not Renew Pentagon Contract that Upset Employees", <https://www.nytimes.com/2018/06/01/technology/google-pentagon-project-maven.html>, Last Accessed 11 April, 2020

conflicted with the juggling of their own values and those of their employees with the expectations of shareholders and board members.¹⁸

CONCLUSION

This paper has considered the advantages that contracting can provide a military force, the drawbacks for the force and the local economy. Potential negative impacts for the firm were also discussed. It is clear that there are many advantages and disadvantages and it may seem like the pros are equally as numerous and significant as the cons.

There are several ways that a military force can be proactive in an effort to avoid the above-mentioned pitfalls. One mitigating strategy is to ensure that Contracting Officers are extremely well trained and exercise outstanding oversight of the contract. This also requires that there are enough Contracting Officers and staff to perform the management function. In this way, the work is performed at the highest level possible and the expectations of the military force can be met. In addition to a high level of oversight, the sizeable, well trained force of specialists can perform regular audits of the contracts and the vendor processes so corruption can be limited. The goal is to ensure that money is not wasted and does not serve to pollute the local economy with criminal activities. As for the morale and retention piece, this may require an evaluation of benefits afforded to deployed troops in order to decrease this disparity. This would be a discussion for another research project.

¹⁸ Vice Website, "Military Contracts Are the Destiny of Every Major Technology Company," https://www.vice.com/en_us/article/pavzk7/military-contracts-are-the-destiny-of-every-major-technology-company, Last Accessed 11 April, 2020

In addition to the above, the most worthwhile activity that a military force can do is to properly perform a risk analysis or OPP process to fully identify and understand these risks. This will allow them to put their own mitigation measures in place or even decide that there is a better way other than or in addition to contracting to obtain the required essential service or good and desired end state. In sum, contracting is a superb force multiplier for a military force and needs to be carefully planned and executed with significant oversight otherwise the benefits can easily be overshadowed by the pitfalls as the force carefully balances on a very slippery slope.

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