

## THE CONTRACTOR CRISIS

BY

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USAWC STRATEGIC RESEARCH PROJECT

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by

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## **ABSTRACT**

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## THE CONTRACTOR CRISIS

If it was easy we would contract it.

-Major General Terry M. "Max" Haston

The United States Army has undergone dramatic changes in operations as well as support activities since that fateful day in September, 2001. These changes have been marked by supplemental budgets, new equipment and increased contractor utilization. As a result of these changes, there appears to be a dramatic shift in the reliance on contracted support by the U.S. Army. This reliance will have strategic implications which will affect the military profession as we face conflicts in the future. In essence, the increased utilization of contractor sustainment support will lead to inefficiencies and unexpected risk as the U.S. Army engages in conflicts of the future. The intent of this paper is to provide an over-arching analysis and critique of contracted sustainment support. Although beneficial in many areas, contracted support will have strategic implications if the U.S. Army's core sustainment capabilities are unavailable or potentially nonexistent in the future. Greater exposure to the contracting issue will effectively bring balance to the workforce and mitigate potential risks in the future.

According to Rear Admiral Henry C. Eccles, 21<sup>st</sup> century logistics must meet two objectives in order to support the national military strategy: (1) timely delivery of forces and sustainment to the combatant commander and (2) minimization of the logistics footprint. He further stated that logistics has its roots in the national economy which is dominated by civilian influences and civilian authority.<sup>1</sup> This paper will provide background information associated with contracted sustainment support, address some

of the benefits and ramifications of contracted sustainment support and conclude with recommendations for improved efficiency and risk mitigation.

The justification for this analysis is linked to the fact that the Department of Defense (DOD) paid contractors \$158.3 billion for a range of services in 2007.<sup>2</sup> This large amount is indicative of the fact that Government contracting is huge business. In comparison, there were only twelve world businesses with annual revenues greater than DOD contract expenditures.<sup>3</sup>

### History of Sustainment Contracting in the United States Army

The history of contracted support likely dates back to some of the earliest armies ever established. Individuals found opportunity and earned a living by providing supplies and services to the battlefield commanders in remote locations. Commanders took advantage of these supplies and services which enabled them to shorten lines of communication and effectively conduct operations. In America, contractors were on the battlefield as early as 1775.<sup>4</sup> The contractor purpose was to provide services such as feeding, clothing and transporting of service members. American commanders recognized the challenges associated with time and space by using contractors to fulfill requirements in remote areas. The use of contractors reduced the dependency on military supply trains and afforded commanders with flexible options. Looking back it is easy to ascertain the benefit that these contractors provided to a newly developed army that was mired in conflict and seeking reasonable, as well as practical, solutions to their support issues. According to the Center for Military History, contracted support during this era fell in a range of approximately one contractor for every six service members.<sup>5</sup> The following table provides a historical perspective of contractor support during the war or conflict periods in which America has been engaged.

War/Conflict and Period	Ratio of Contractors to Service Members
Revolutionary War (1775 – 1783)	1 : 6
Civil War (1861 – 1865)	1 : 5
World War I (1917 - 1918)	1 : 20
World War II (1941 - 1945)	1 : 7
Korea (1950 - 1955)	1 : 2.5
Vietnam (1961 - 1975)	1 : 6
Gulf War (1990 – 1991)	1 : 60
Balkans (1991 – 1995)	1 : 1
Afghanistan (2001 – Present)	1 : 1
Iraq (2002 – Present)	1 : 1

Data Source: Center for Military History (CMH).

World War I brought about a significant change from the Revolutionary and Civil War periods in that the war was fought abroad. Contractor requirements during this era were significantly less due to the fact that the war was fought on foreign soil with the lines of communications stretching across the Atlantic Ocean. The theater of operations was well established by the French, and the American Expeditionary Force largely followed the French system of support.<sup>6</sup> In addition to the established theater, the relatively short duration of the war and the long lines communication resulted in limited access to contractor personnel and organizations. Additionally, the Army had established the Quartermaster Corps in 1912 as a professional organization with roots tracing back to June 16, 1775. This professional organization was fully militarized with its own officers, soldiers, and units trained to perform a host of supply and service functions on the battlefield.<sup>7</sup> Furthermore, 2.8 million Americans were drafted to support the campaign.<sup>8</sup> Contractors performed services such as water born transportation, unloading of cargo ships and fuel delivery.<sup>9</sup> This large Army was postured to sustain itself using organic means, yet certain tasks still had to be performed by contractors due to the volume of supplies and equipment required to sustain the force.

The Gulf War brought about many of the same circumstances as World War I in that the military was deployed abroad for a very short period of time. As such, the U.S. Army accomplished nearly every aspect of sustainment support using organic means. In other words, Soldiers assigned to Modified Table of Organizational Equipment units provided transportation, maintenance and supply activities on the battlefield. In addition to these functions, Soldiers were clothed, sheltered, fed, and armed by members in uniform. The combat focus of the operation likely led to the limited number of contractor personnel in theater, requiring Soldiers to perform base operation tasks. The key difference between World War I and the Gulf War is that an all volunteer force of approximately 700,000 service members deployed to the Persian Gulf with a force composition capable of handling sustainment needs. Much of the required external support was provided by the host nation (Saudi Arabia) and United States contractor numbers were limited to around 9,000 personnel.<sup>10</sup>

Today in Iraq and Afghanistan the support is much different. Contractors feed the Soldiers, maintain facilities, maintain equipment and even deliver the equipment to forward operating bases. As of March 31, 2010, there were 175,000 deployed troops and 207,000 contractors in the war zones. Contractors represented 50 percent of the Department of Defense workforce in Iraq and 59 percent in Afghanistan.<sup>11</sup> This is a radical change from the Gulf War where Soldiers in uniform provided sustainment support. Contributing to the ratio of one contractor for every Soldier is the fact that the United States has been involved in the wars for almost ten years. The duration and frequency of deployments has placed an incredible strain on the force and contractors are being utilized to supplement the warfighter.

President Dwight D. Eisenhower addressed the issue of military and commercial relations in his farewell address on January 17, 1961.

Now this conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence -- economic, political, even spiritual -- is felt in every city, every Statehouse, every office of the Federal government. We recognize the imperative need for this development. Yet, we must not fail to comprehend its grave implications. Our toil, resources, and livelihood are all involved. So is the very structure of our society. In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.<sup>12</sup>

It is quite possible that President Eisenhower was providing warning of sustainment contracting as well. In this address, President Eisenhower was talking about the military-industrial complex. At the conclusion of World War II, there were numerous large industrial companies whose primary business was to design, build and sell combat equipment to the U.S. military. These companies not only had great wealth, but by their very nature had the ability to influence communities, States and a Nation. President Eisenhower obviously understood the strength of these companies and how they could easily influence policy in America. As sustainment contractors of the future fill more and more of the U.S. Army requirements, they will establish similar strength in the communities and have the ability to influence policy. Military leaders must recognize the risk associated with this capacity for influence and not be unduly persuaded by sustainment contractors.

## Background Regarding Sustainment Contracting in the United States Army

President Barack Obama addressed the issue of contracting in the National Security Strategy of May 2010. He stated that contracts with poor oversight have no place in the United States Government.<sup>13</sup> He further stated that the endstate is a reformation of Federal contracting and the strengthening of contracting practices. The bottom line is that with effective management oversight, the U.S. Government could save as much as \$40 billion dollars a year.<sup>14</sup> In contrast, President Bush's National Security Strategy of 2006 did not address government contracting. It is apparent that the current fiscal situation in America requires change and government contracting is an area where significant savings can be achieved.

The Quadrennial Defense Review published in February 2010 acknowledges the need to develop a total defense workforce. This workforce is a mixture of military, government, civilian and contractor personnel who are required to meet the demands of a complex and uncertain environment.<sup>15</sup> As part of workforce development, the Defense Department will work to improve the Civilian Expeditionary Workforce, which provides deployable civilian experts to Afghanistan, Iraq and other theaters of operation. A reduction in the number of service support contractors will help to establish a balanced workforce that appropriately aligns functions to the public and private sector.<sup>16</sup> The Department of Defense currently employs approximately 772,000 civilian personnel and 1.43 million armed forces personnel. U.S. Army strength figures as of 30 September 2010 were 566,045<sup>17</sup> and the number of contractor personnel in the Central Command Area of Operation was 242,657 on 31 March 2009.<sup>18</sup> Balancing the workforce is an integral part of every large organization. This balance is especially complex when dealing with such large organizations where inefficiencies are a natural occurrence.

The Secretary of Defense, Robert M. Gates has been forthright in addressing the current deficit and debt situation that exists in America today. In August 2010 Secretary Gates directed an outside study to conduct a front end assessment of the fiscal year 2012 budget. One of the directed efficiency initiatives is to reduce service support contractors by ten percent per year for the period 2011 through 2013.<sup>19</sup> Although it is somewhat ironic that Secretary Gates invited an outside source (possibly a government contractor) to conduct the assessment, the Secretary's motives are clear that there is a Department of Defense wide issue with the employment of service support contractors. The task force chaired by Mr. Robert Rangel, The Special Assistant to the Secretary of Defense, was directed to deliver the final report within 120 days.<sup>20</sup> To date the final report has not been released, which means that actions to reduce contractor numbers are likely on hold.

In speeches delivered throughout the mid-western states during the period 23 through 27 August 2010, Chairman of the Joint Chief of Staff, Admiral Mike Mullen stated that America's debt is the greatest threat to national security. The Chairman also compared the interest on the national debt to the size of the Department of Defense budget, stating that the estimated \$571 billion dollars interest in 2012 is notionally about the size of the defense department budget.<sup>21</sup> Even though his comments are not directly linked to contracted sustainment support within the United States Army, they do provide a linkage between the position adopted by Secretary Gates and the overall budget issues facing America today. Because contracted support is such a significant part of the overall defense budget, it is an easy target for cost saving initiatives.

The recently released National Military Strategy of 2011 requires a careful review of legacy personnel systems, in particular the balance of uniformed, civilian and contracted personnel.<sup>22</sup> The strategy also states that America requires a Joint Force that is flexible, adaptable and agile. By working hand-in-hand with other government agencies and in support of public-private partnerships, America can achieve a formidable advantage.<sup>23</sup>

### Sustainment and Contracting Organizational Structure

The U.S. Army sustainment structure is designed not only to support the Army's mission, but also provide sustainment support to the other branches of service. As such, the U.S. Army Material Command (AMC), headquartered at Ft Belvoir, VA is responsible for much of the sustainment support activities within the U.S. Army, in addition to the support provided to other services. Their motto is, if a Soldier shoots it, drives it, flies it, wears it, eats it or communicates with it, Army Material Command provides it.<sup>24</sup> The AMC receives policy guidance from the Assistant Secretary of the Army for Acquisition, Logistics and Technology. The AMC's mission is to provide our Soldiers a decisive advantage in any mission by developing, acquiring, fielding, and sustaining the world's best equipment and services and leveraging technologies and capabilities to meet current and future Army needs.<sup>25</sup>

Within the Army Material Command are the two major subordinate commands responsible for sustainment and contracting. The U.S. Army Sustainment Command is headquartered at the Rock Island Arsenal, Rock Island, IL and is responsible for a wide range of logistics missions in support of current and future combat operations, ongoing Army training cycles, and worldwide humanitarian and disaster relief efforts.<sup>26</sup> The Army Sustainment Command is also responsible for the management of contracts with civilian

firms that provide subsistence, construction, maintenance, supply and distribution services in place of the military force structure.<sup>27</sup> The Army Contracting Command recently reorganized and relocated from Ft Belvoir, VA to Redstone Arsenal, Redstone, AL, and their mission is to provide global contracting support to warfighters through the full spectrum of military operations.<sup>28</sup> The Army Contracting Command is also a civilian led organization and the Executive Director has stated that the new structure leverages contracting expertise across an extensive enterprise whose primary purpose is to equip and serve the Soldier.<sup>29</sup>

Subordinate organizations within the two commands are responsible for the execution of sustainment operations and contracting support. The Army Sustainment Command is comprised of seven Army Field Support Brigades (AFSB's) dispersed throughout the world and responsible for direction and management of field and sustainment level logistics for U.S. service members and in some cases coalition forces such as in Afghanistan. The Army Field Support Brigades each have a network of Logistics Support Elements providing direct support to corps-level activities. Within these AFSB's are Army Field Support Battalions (AFSBn), Brigade Logistics Support Teams (BLST) and Logistics Support Teams (LST). The AFSBn's provide direct support at the division or installation-level. The BLST's provide direct support to their assigned brigade combat team, and LST's provide direct support to non-brigade combat team Army units in their assigned area.<sup>30</sup>

The Army Contracting Command is organized into two subordinate commands, the Expeditionary Contracting Command and Mission and Installation Contracting Command. These two organizations are responsible for providing contracting support

worldwide.<sup>31</sup> The Expeditionary Contracting Command's mission is to plan and execute effective and agile contracting support for U.S. Army Service Component Commanders in support of Army and Joint Operations, as well as providing effective and responsive contracting support for outside the continental United States installation operations.<sup>32</sup> The Mission and Installation Contracting Command on the other hand is responsible for planning, integrating, awarding, and administering contracts for the Army Commands, Direct Reporting Units, U.S. Army North and other organizations within the continental United States.<sup>33</sup> As designed, this is an extremely effective structure and the ability to provide a forward presence is especially effective in supporting the service member with timely and responsive execution.

One of the key responsibilities assigned to the Army Material Command is the management and execution of the Logistics Civil Augmentation Program, also known as LOGCAP. Army Regulation 700-137, Logistics Civil Augmentation Program, establishes Department of the Army policies, responsibilities, and procedures for implementing LOGCAP to augment Army forces with civilian contractors to perform selected services during wartime.<sup>34</sup> The need for LOGCAP became readily apparent during the 1990's when force structure reductions in the Combat Support and Combat Service Support arena occurred as a result of the so called peace dividend of the Cold War. Compounding this requirement was the increase in operational tempo associated with military action during the first Gulf War, Somalia, Bosnia and now Afghanistan and Iraq. Brown and Root Services, now Kellogg, Brown and Root (KBR) was awarded the original contract labeled LOGCAP I. The force structure cuts that occurred after 1990 have been balanced through subsequent use of LOGCAP contracts. Today LOGCAP IV

consists of three performance contractors providing services, instead of just one as under LOGCAP III. Services include supply operations, field operations, engineering and construction, communication networks, transportation and cargo, facilities maintenance and repair.<sup>35</sup> The table below provides greater detail but is not all inclusive.

<b>LOGCAP Contract Services</b>		
<b>Direct Support/General Support (DS/GS) Operations</b>	<b>Field Services</b>	<b>Other Services</b>
Class I (subsistence) Class II (clothing and equipment) Class III (petroleum) Class IV (construction material) Class V (ammunition) Class VI (personal demand items) Class VII (major end items) Class VIII (medical supplies) Class IX (repair parts)	Billeting Sanitation Food Services Operations & Maintenance Information operations Personnel and Admin Laundry Morale, welfare and recreation Mortuary affairs	Airfield Retrograde Engineering and Construction Power generation Information technology Transportation Maintenance and motor pool Medical services Physical security

The functions of LOGCAP have brought to light a variety of questions associated with military contracting. The sustained conflicts in both Afghanistan and Iraq have been extremely costly. Functions that were inherently military prior to the onset of the Global War on Terrorism are now typically accomplished under the LOGCAP contract. The commission on wartime contracting was established to assess and make recommendations concerning wartime contracting. A key task of the commission is to further define the functions which are inherently governmental.<sup>36</sup> The services contracts administered under LOGCAP IV may be affected by the commission report which is due out this year.

The development and implementation of the Army Contracting Command, Expeditionary Contracting Command and the Mission and Installations Contracting Command in 2009 have already had an impact on ensuring professional, ethical,

efficient and responsive contracting.<sup>37</sup> In addition to efficiency and responsiveness, the military contracting organizations bring credibility and oversight to an activity with robust requirements.

### Benefits and Ramifications of Utilizing Contracted Sustainment Support

The benefits of contracting for sustainment support go well beyond cost alone. There are a variety of reasons in which contracting may be the best solution. Two specific examples where contracting is the only solution occur when the geographic region is inaccessible, such as in the case of Afghanistan, where supplies flow through Pakistan and a U.S. presence is not possible. The second occurs when the capability does not exist in the military force structure. An example of this is the technical expertise required for the operation and maintenance function of Improvised Explosive Device (IED) countermeasure systems.

Many of the supplies provided to U.S. military personnel flow through Pakistan. In 2007 as much as 75% of all supplies passed through Pakistan en-route Afghanistan.<sup>38</sup> With Afghanistan being geographically landlocked, the U.S. contracted transportation support using host nation (Pakistan) organizations. The U.S. prefers this option for two reasons (1) because a U.S. presence in Pakistan is viewed as unpopular and (2) because the route through Pakistan is extremely dangerous and difficult to defend. As such contracting transportation support is a realistic as well as a practical solution.

Another benefit or requirement for contracted sustainment support is the ability to capitalize on technical expertise that does not exist within the force structure. As mentioned earlier, the IED countermeasure systems are relatively new to the Army inventory and being used in Iraq and Afghanistan.<sup>39</sup> The advanced technology and immediate implementation of the system into the theater of operation precluded the

maintenance training of military personnel. Few will argue that Soldier safety is paramount and immediate implementation was necessary. Contracted maintenance support on the system is logical and timely approach.

As mentioned previously, the most obvious and significant benefit of contracting sustainment support is cost savings. Cost savings are achieved in a variety of ways, with the most notable being force structure reductions. In other words, reduce Army force structure and pay a contractor to perform the service as required. Reduced force structure provides immediate as well as long term personnel cost savings. Contracts on the other hand are only entered into when services are required. Thus, if the service is not required, savings occurs on both fronts. The issue of long term cost savings is truly a complex problem. There are so many variables to consider when addressing the complexity of the issue. Personnel costs include salaries, health care and retirement, not to mention the economic conditions that cause soldiers to separate from service or remain through retirement eligibility. Contract decisions are just as complex. The type of contract, duration of the contract, and life cycle decisions are choices which are equally as complex. Contracting sustainment support is a therefore a wicked problem.

According to U.S. Army Training and Doctrine Command, a wicked problem is one where professionals will disagree about how to solve the problem, what the endstate should be and whether the desired end state is even achievable.<sup>40</sup> The force structure cuts that occurred in the 1990's saved billions of dollars in personnel costs, but the duration of the conflict in Afghanistan and Iraq have evolved into overwhelming sustainment contract costs.

The ramifications associated with contracted support are numerous. Three key areas of concern are work stoppages, contractor accountability and organizational readiness. Equally as important, but not specifically addressed is the security of contractors on the battlefield. The issue of contractor security is one that presents many challenges to the Combatant Commander as well as the contractor and will be left to others to debate.

One of the most costly ramifications of contracting sustainment support during a conflict situation is possibility of a work stoppage. Contractors are motivated by profit and payment. If circumstances arise where a contractor does not receive payment, the most damaging course of action would be a work stoppage. If the military is dependent upon the contractor for the accomplishment of a mission, the work stoppage could ultimately cripple the mission. This situation arose in the early stages of the Iraq conflict in late 2003 where KBR was providing transportation support to the U.S. Army. The Army supposedly had not made payment on a contract and the contractor was refusing to perform as a result.<sup>41</sup> Although the situation was corrected before there was an impact on the mission, one must consider the ramifications of contractor support and the contractors motivation for executing a mission. It is easy to understand the implications on a mission and the justification of the contractor, but when Soldiers lives are potentially at stake, these types of situations affect planning, execution and risk.

Another ramification or cost associated with contracting sustainment support is the accountability aspect. There are two parts to the accountability equation. First is the fiscal component, which is the payment for services rendered. The second part is accountability as it relates to execution, or the satisfaction of the contract. Both have the

potential for fraud waste and abuse. An example of accountability from a fiscal perspective is equipment maintenance. If a contractor is hired to perform maintenance on vehicles, or more specifically the modification of a vehicle, and they fall under a cost reimbursement type contract, they may not be as motivated to complete the project as if they were hired based on a fixed price contract. In this case, income is based on hours worked, and more hours, equals greater profits to the contractor. KBR was awarded a cost reimbursement type contract for services performed in Iraq and as such there have been countless issues associated with fiscal accountability. Unfortunately, the contract included much more than vehicle maintenance. Housing, food, water and laundry service were also covered under the contract<sup>42</sup>.

The final area of concern with regard to contracting is the impact that it could have on the overall readiness of the Army. If current practice dictates that support is provided by a contractor and the Army force structure is modified, or reduced based on future contractor performance, then it is possible that future force structure will not be capable of meeting the needs of a combatant commander in an emerging or developing theater of operation. In other words, the Army has become so dependent upon a contractor to perform the sustainment support service, that they no longer have the capability of performing it organically. This dilemma could be further compounded if there are no contractors capable or willing to perform the sustainment support mission, due to the risk or inaccessibility in the theater of operations.

#### Strategies for Resolving Over Utilization of Contracted Support

As one considers strategies for resolving issues associated with contracted sustainment support, they must take into consideration that it is not an all or one choice. Accepting the fact that contracted support is a necessity within the U.S. Army is

paramount. Regardless of the bad publicity linked to government contractors, many of the functions that contractors provide are worthwhile and cost effective. The choice between authorized army force structure, Department of the Army civilians or contractors is one that requires a great deal of analysis. This paper proposes a conservative strategy that focuses on a balancing the workforce, aligning governmental and contractor goals and embracing the altruistic stewardship of resources.

The first step in addressing the efficiency issue of contracted sustainment support is to determine the core sustainment competencies that must be accomplished by Soldiers within the organization. There is no argument about whether or not these competencies are required in the U.S. Army. The issue is at what level and how much of the support should be accomplished by contractors. There has been a significant amount of interest in evaluating functions that are inherently governmental. Subpart 7.5 of the Federal Acquisition Regulation System is intentionally vague on the subject of inherently governmental functions when it comes to sustainment type support. The reason it is vague is because efficiencies can be achieved by balancing the sustainment requirements between active duty military personnel, reserve component personnel, civilian personnel and contractors. The efficiency issue then rests with the appropriate balance of players within the function. Total efficiency is practically impossible to achieve because conditions change. For example, no one expected that the LOGPAC contractors would be required to perform services for the length of time that the U.S. has been involved in Afghanistan and Iraq. Increases in active duty personnel in are an expensive decision during peace time, but much more suitable during conflict. One of the objectives as presented by the Office of the Under Secretary of Defense for

Personnel and Readiness is to reduce the contractors from 39% of the Pentagon workforce to pre-2001 level of 26%. This will be achieved by flexibilities in civilian personnel hiring practices as part of an in-sourcing solution.<sup>43</sup>

The second method intended to improve contracted sustainment support efficiency is to address government and contractor alignment. The goals and objectives of both parties are not altogether different. The U.S. Army identifies a requirement and the contractor accepts the contract. The contractor is motivated to execute the terms and conditions of the contract and essentially make a profit in doing so. Ideally the government is seeking the most efficient and cost effective method in the fulfillment of the requirement. The Special Operations Forces Support Activity, a government owned, contractor operated organization, effectively addresses alignment as a value system. Teamwork, continuous improvement, open communication, and accountability are the shared values that form the basis of the relationship.<sup>44</sup> Each of these represents a partnered effort aimed at a sustained relationship. An additional objective in the alignment process could include incentives that focus on government cost savings. Contractors that identify governmental cost savings in the execution of a contract could be rewarded for the initiative.

The final technique for resolving the contractor efficiency issue is to address the concept of stewardship. Stewardship falls under the umbrella of professional ethics. These professional ethics represent the foundation or core of selfless service and are instrumental in the sound management of assets entrusted by those who voluntarily offer authority and power to people in positions of responsibility.<sup>45</sup> In order to maintain public trust and trust within the profession, every individual must be a responsible

steward of resources. Ultimately, America must address the rapidly expanding deficit and ever growing national debt. Deficit figures are nearing \$2 trillion dollars. The national debt is currently at \$13.6 trillion dollars and is expected reach \$19.6 trillion dollars by the year 2015.<sup>46</sup> These two figures bring a great deal of concern to the American way of life and many American leaders believe that the national debt is the single most important issue affecting national security. President Obama continually addresses the struggling economic conditions and cuts in government spending are expected on the horizon. Overall Department of Defense spending has reached \$650 billion dollars, based on Government Printing Office reports.<sup>47</sup> Furthermore, the U.S. is outspending the world on defense by an overwhelming margin. Statistics gathered from globalissues.org indicate that the U.S. had 46.5% of the world's global military expenditures. The next closest country was China with 6% of the world's \$1.5 trillion dollars in military expenditures.<sup>48</sup> Secretary of Defense Robert Gates has acknowledged that the department will in fact seek ways to cut the defense budget. He stated that the U.S. cannot eliminate security risks through higher spending and therefore we must set priorities and consider inescapable tradeoffs and opportunity costs.<sup>49</sup> Ultimately the Army remains devoted to the best possible stewardship of the resources provided by the American people through Congress.<sup>50</sup> Articles in the Washington Post and New York Times that focus on fraud, waste and abuse by government contractors does nothing for the reputation of the military professional and further degrades public trust and confidence.

### Conclusion

Contracted support is as old as the U.S. Army, dating back to 1775. The Army as organized has changed significantly in the 235 years since the first contract, but the

mission remains the same. Today, the practice of contracted sustainment support has evolved into an extremely large and inefficient function within the U.S. Army. History has demonstrated that contracts are a necessary element of U.S. Army operations. In addition to the benefits of sustainment contracting, there are also ramifications as well as risk. Minimizing the ramifications and mitigating the risk are an integral part of achieving greater efficiency in contracted sustainment support.

As we look to the future of military contracting, regardless of the support required, an overarching recommendation is *caveat emptor*, or let the buyer beware. If we as a country are to meet the deficit and debt challenges of the future, we must look to find opportunity for cost reduction. Sustainment contracting is an area where savings can and will be achieved. Secretary Gates' efforts in developing a cost savings culture are truly in line with the organizations ability to save and conserve resources. His efforts to develop efficiencies and cost savings in overhead are intended to be applied to force structure and modernization.<sup>51</sup> By reintroducing sustainment structure to the force, the U.S. Army will be better suited to meet the requirements of the future and still achieve costs savings by balancing the cost against contracted sustainment support.

As budgets decline in the foreseeable future, contracts will be a target for cost cutting. Improved efficiency measures can effectively be used to counter some of the cost cuts. In the end, it is imperative that the Soldier receives the necessary and required services and support, regardless of the provider.

### Endnote

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