AMERICA’S WAR ON TERROR:
ECONOMIC EFFICIENCY AND POLICY OUTCOMES

A Thesis
submitted to the Faculty of
The School of Continuing Studies
And of
The Graduate School of Arts and Sciences
In partial fulfillment of the requirements for the
Degree of
Master of Arts in Liberal Studies

By

Livia Drumheller Phillips, B.A.

GEORGETOWN UNIVERSITY
Washington, D.C.
November 1, 2013
ABSTRACT

The terrorist attacks on September 11, 2001 in New York City, Washington D.C. and Pennsylvania altered the United State’s counter terrorism strategy. After having debated terrorism policy with little resolution following the first attack on the World Trade Center in 1983, the Government reacted aggressively to the September 11, 2001 attacks. The U.S. intelligence and military forces launched a worldwide offensive against al Qa’ida using all of the tools at their disposal. Including, private sector companies established to provide security support, staff augmentation and strategic planning.

Since September 11, 2001 (9/11) private firms have remained essential to the mission and have been given high level access to Government personnel and information. The counter terrorism efforts have created an industry of defense contractors who are increasingly replacing civil servants in various positions, including analysts, administrators, and security forces.

Similar to the U.S., Israel and Great Britain have long histories combating terrorist activities. Israel is surrounded by enemies while Great Britain has a terrorist threat based in Ireland that traces its roots back over hundreds of years. The U.S. anti-terrorism plans are complex and increasingly reliant on private security firms.
The governments of U.S., Great Britain and Israeli have incorporated private firms into their daily operations across all levels of their respective bureaucracies. It is important to examine how the use of these firms translates into public policy and determine any economic benefits for the respective governments. This comparison shows that the U.S. has created a niche industry to support counter terrorism activities either in support roles or through direct impact; similar to Israel and Great Britain.

I researched the private security industry supporting the U.S. Government in counter terrorism efforts; focusing on the post 9/11 period. Private contractors are expected to be timely and economically efficient for the Federal Government. There have been negative events that undermine the efficiency argument and call in to question as to whether the private sector does a better job of producing beneficial public policy outcomes.

Israel has been coping with and addressing terrorism for decades. The United States should consider and learn from Israel’s experiences. Similar to the U.S., Israel uses private contractors to support the government in various day to day activities. The government of Israel supports the use of defense contractors, however, they have internal struggles with opening their public sector to the defense firms due to security concerns. Additionally, Great Britain’s counter terrorism response in comparison to the U.S. is very similar. Both countries share a history and culture which strengthens their bond.

Ultimately this thesis shows the unique defense contracting strategies used by the U.S., Great Britain and Israel. Each country has a complicated history in this area and they each need to develop more efficient outsourcing policies and strategies. This will
include vetting firms to ensure the selection of a qualified firm to work in the public sector.
ACKNOWLEDGMENTS

I would like to thank and dedicate this thesis to my family. Your support throughout my entire academic career has been outstanding and inspiring. Mom, you truly have helped guide and inspire me to a better place and I thank you for all of your help and love. Dad, you have been patient and loving throughout the entire time I’ve been in school and your support helped me see each project through to completion. And to my husband Blake, you have only known me while I’ve been attending school, and I am looking forward to more time with you. You have truly been my rock and have helped me stay focused on reaching the finish line. Thank you. I love you all and look forward to the next chapter.
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CHAPTER 1

INTRODUCTION

Private industry has always played a role in international conflicts, by providing mercenary, technical, and support services, which support governments or rebel groups. The private sector’s involvement in counter-terrorist activities grew dramatically following the attacks on the Pentagon in Washington D.C. and the World Trade Center in New York City on September 11, 2001. The United States (U.S.) responded by attacking and destroying the Taliban government in Afghanistan and then removing from power Iraq’s Saddam Hussein, who was viewed as a destabilizing presence in the region. The U.S. involvement in Afghanistan and Iraq was complicated due to the lack of international support and the nature of the opponent. Private firms increasingly gained access to the two public wars because they were able to mobilize quickly and operate in fluid environments. Companies managed programs for the supply chain for both efforts, while providing newly developed technologies such as drones and Explosive Ordnance Disposal/ Counter Improvised Explosive Device (EOD/CIED). The use of the private sector allowed the government to offset the research and development costs and place that risk on the private sector where companies compete to develop the best high-tech tools.

In today’s economic environment, the defense-contracting world has come under increasing threat of reduction, motivating companies to develop new cost efficient technologies, and operating strategies, which are more appealing to the government. The
Pentagon created the office, Joint Robotics Program, where they could provide oversight of the development of specialized robotics that would eventually find their way into the battlefield and hopefully offset risks for American soldiers. This office focuses on developing technologies like unmanned ground vehicles (UGV) to deploy in military combat and help reduce American casualties. The company iRobot installed camera lenses on robots and were able to send back clips taken by a robot to help gauge foreign environments. “But as new add-ons are developed, the same robot will be able to take on a wider and wider set of battlefield roles. For example, the company has already tested out an armed Packbot.”¹ iRobot outfitted one of their robots with weapons and “The robot can now fire a variety of ammunition, including nonlethal rubber bullets, rounds that can blow down a door, and even more powerful ‘elephant killer’ bullets.”² This is one example of the services private firms provide and are constantly working to perfect.

The private sector has typically been successful because they absorb the cost burden and still provide advanced technologies. Even during negative economic periods in the U.S., private firms are normally utilized because they continue to advance the capabilities in the U.S. government at a lower cost. However, today the political climate in Washington D.C. hasn’t nurtured this pattern in the private sector. Companies have been adjusting their business models and as a result many of their employees have been laid off and hiring has slowed dramatically. Firms have been watchful of events like the sequestration of 2013 where Democrats and Republicans argued in Congress over budget


² Ibid.
reform. One key area impacted by the stalemate between both parties was the defense budget. For the first time in history, private firms are non-exempt from being pushed out of the defense contracts.

Historically, defense contractors were seen as a cost savings that would help the government continue to operate at a high level, without absorbing the cost of employing additional personnel. The mid-1990's until 2008 was a time of immense growth in defense contracting. "From 1994 to 2002, the U.S. Defense Department entered into more than 3,000 contracts with U.S.-based firms, estimated at a contract value of more than $300 billion. The areas being outsourced are not just minor ones such as military food services, but include a variety of areas critical to the U.S. military's core missions."³

The Cold War was a starting point for companies entering the public sector. Starting in 1990 the U.S. government scaled back the size of its workforce and funding for non-essential departments. However, the government expected the same level of service from their agencies, which ultimately encouraged the growth of private firms filling in the gap. The Department of Defense (DOD) was one of the key reduction areas, and was among the first to rely heavily on government contractors. Contracts increasingly were released to the private sector to bid, but a limited number of DOD contracting officers were in place to oversee and manage the large volume. This was a critical step in the government's reliance on the private sector and set-up both the government and private firms for failure, because there wasn't enough oversight.

As defense contractors have grown in popularity, there has been occasional confusion on their purpose and roles. Often companies are accused of operating like mercenaries because they are both working in war zones and supporting governments. There are many South African and American Special Forces (SF) officers who have made careers as mercenaries, but they are not usually tied to one location, group, or any other defining category. One of the complicating issues, when dealing with contractors and mercenaries, is that you are essentially talking about a unique pool of professional people. The definition of whether they are a mercenary or contractor is based on the relationship with their employer and who their employer happens to be. The key differences are: “Contractors are considered legal entities bound to their employers by recognized contracts and in many cases at least nominally to their home states by laws requiring registration, periodic reporting, and licensing of foreign contracts.”

In addition firms provide a wider range of services in different areas of the world, than mercenaries. For example, firms perform base operations, which involves cleaning, grounds maintenance, carpentry, trash removal, intelligence analytics, base security and several other technical functions. Mercenaries are flexible in their choice of clients since they don’t always operate out of a home base due to their nomadic lifestyles. Mercenaries work in a variety of countries, mostly conflict-riddled regions, where they can provide their specialized military skills that will be helpful to their clients in combat. Overseas defense contractors employ mercenary-type candidates, but they are obligated to operate

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4 Ibid., 46.
within a corporate and legal structure maintained by periodic checks to ensure the firm is compliant with the U.S. legal system.

After 1990 international conflicts grew as newly formed democracies emerged, whose leaders were unable fulfill the expectations of their populations. The post Cold War era was not as peaceful as many had hoped and many countries experienced internal strife and civil war. “By the mid 1990’s it was actually five times as high as at its (Cold War) mid point.” \(^5\) Former Soviet Union countries were politically unstable and lacked responsible leadership, but it was in the world’s interest not to have the new democracies crumble. The new democracies, which were in conflict zones, often reached out to third party security providers in order to help maintain authority or to start training local military and police forces. As civil wars increased, so did cross-border conflicts; therefore local leaders, in places like the Congo, turned to commercial firms for assistance in military training, additional combat support from mercenaries, and more training.

Over the past twenty years defense contractors have proven to be essential to governments worldwide. As mentioned previously, they have provided military logistical support, training, education and countless additional services. Governments, especially the U.S. government, have relied on private firms to help agencies run efficiently and continue to modernize. Even with the government’s heavy reliance on private companies, the private sector is never secure in its work. Governments were able to quickly adjust their expectations and requirements, thus suddenly changing their reliability on an

\(^5\) Ibid., 50.
increased number or fewer amount of private companies needed to provide professional services. Therefore, it is safe to assume that companies are usually most profitable and successful during periods of increased turmoil and conflict. In the past, companies were used to help the U.S. government to continue to function at a high pace without employing an abundance of government employees. This trend has not continued under the Obama administration, which is faced with trillions of dollars in debt and a contentious political environment where neither side is willing compromise on budgets and spending. Politicians are taking the path of least resistance and allowing debates to continue until the very last minute, which enables events like the Fiscal Cliff in 2013 to develop into difficult spending issues for government agencies. It will be difficult to discern if defense contractors will be able to maintain their large presence in the public sector.

Government agencies and private contractors benefit from their strong working relationships for a variety of reasons. The government benefits from reducing staffing costs and pushing the financial burden of research and development onto the private sector, where competition theoretically produces a high end product at a lower cost. Additionally private contractors are constantly flooded with resumes of personnel willing to work on almost any type of contract, especially now in a weak economy. The government also benefits because many public servants entering the private sector, often work on projects supporting their former employer. This helps prevent the loss of institutional knowledge.
The private sector is also a fluid environment that is constantly evolving and pursuing new opportunities. Companies maintain lists of available candidates willing to work on domestic and overseas contracts. Candidates often hold high level certifications and specialized training that help them deploy quicker than someone lacking the advanced expertise. Firms often develop strong networking relationships with other private companies which provide a variety of different services, in hopes that they will be able to partner and provide the government with a strong proposal offering unique tools and expertise. In addition the private sector’s ability to mobilize quickly is advantageous to the government, especially during conflicts where American soldiers may not be as quickly mobilized. Companies can utilize their international connections to help gain entry and establish themselves in various areas with minor assistance from the government.

The U.S. government strategically uses the private sector to serve its purposes abroad. On many occasions, American companies have been recommended by the public sector to assist in foreign events, including conflicts and rebuilding of a country’s infrastructure. This allows the U.S. to be indirectly involved and maintain a grasp on developments without publicly committing to individual causes. The U.S. Department of State (DOS) utilizes private contractors to provide support in multiple areas of service. Companies, such as DynCorp, were hired to help in the anti-drug effort in Columbia. The U.S. is not the only country to use the private sector as unofficial representation, in fact, many companies involved in international contracts work against each other. International crisis can lead to allied countries indirectly working against each other. For example, as
DynCorp assisted the DOS’s efforts in Columbia, simultaneously, an Israeli firm called Spearhead Ltd. was rumored to have helped the drug cartels and anti-government militias.

As previously mentioned, there are strengths and weaknesses of having the private sector participate in public work. The American contracting system was not thoroughly envisioned, and has continually been filled with inexperienced acquisition contract management and ambitious firms who take advantage of this discrepancy. The inexperienced federal contract managers do not have the information and experience to properly manage commercial firms and hold them accountable for efficient work progression and billing issues. Many government-contracting officers lack the training to ensure quality control and do not understand effective methods for assuring businesses follow through on their program responsibilities. Often as a result companies over bill the government and are able to hide the cost in different departments. The defense contracting industry would benefit greatly from experienced contract managers overseeing most if not all outsourced programs. The private sector should be held accountable and forced to follow through on proposal requirements, thus relying on competition as driving force behind efficiency and costs benefits for the government. Currently, the cost of private firms working in the public sector does not always result in a cost savings for the U.S. government. Instead companies, like the former Blackwater, DynCorp, and many others, have underperformed contracts by under staffing and not providing proper quality control and management. The inability to meet contract requirements by the previously mentioned firms can be a conscious decision, but often
it’s a result of companies growing too large to properly manage their internal and program staff. In essence they become small bureaucracies with the same issues as the government, which ultimately does not provide cost savings. Often companies will have a one to one ratio of employees concentrating on all of the requirements put forth by the government.

The United States government is flawed in its approach to defense contracting, but private firms share in the blame for inefficient contract management and other flawed areas of contracting. Firms have acted in their own interest by over billing, under staffing, staffing with unqualified personnel, and not maintaining pertinent licenses and certifications. The government is equally at fault for many contracting issues. They do not encourage proper contract management, by placing unqualified personnel in control of programs, where they don’t understand the government’s rules and regulations or the scope of the contract. Firms and the government hold mutual responsibility for the flaws and the current structure of the American contracting system. Both have been relaxed in maintaining cost effective practices and as a result have reduced the efficient practices the private sector was expected to bring to the government.

The U.S. increasingly has an issue motivating personnel to serve in areas such as Afghanistan and Iraq, where the standard of living is low and the environment is high threat. In 2004 Senators Lugar and Biden created the Office for Reconstruction and Stabilization, which aimed to focus on rebuilding the war riddled countries and American image internationally. These efforts were stalled by a yearlong wait for authorization to work on critical reconstruction. By winter 2005 the Bush administration developed a
strategy where “the White House announced the creation of the new office within the State Department through National Security Presidential Directive 44.”⁶ Both efforts were doomed by lack of funding and interest, especially when the White House’s request for funding was only provided with less than 10 percent $100 million requested. “The new institution that the president himself had tasked to lead reconstruction never got off the ground. In mid-2008, the office still had fewer than ten employees.”⁷ The lack of funding and short-lived interest only enhanced the need for private firms to aid in reconstruction efforts. The Bush Administration may have been criticized for its reliance on private industry, but there would have been greater negative repercussions without the presence of private industry. At least some form of an American presence was available to start the process.

U.S. reliance on private companies to assist in counter terrorism activities has increased dramatically. Since September 11, 2001 (9/11) private firms have remained essential to the mission and have been given high-level access to government personnel and information. Counter terrorism activities created a bloated industry where contractors are replacing civil servants as analysts, administrators, and security forces. The use of contractors to combat terrorist activities is not unique; however, the significant presence of private firms in traditionally public roles is something that needs to be addressed.

The U.S. is not the first Western nation to face terrorist related problems. Israel and Great Britain have long histories combating terrorist activities. Enemies surround


⁷ Ibid.
Israel, while Great Britain has a terrorist threat based in Ireland, that traces its roots back over hundreds of years. Like Israel and Great Britain, the U.S. anti-terrorism effort has become increasingly complex with an evolving role for private security firms. As this process continues, U.S. officials will have to address the issues of discipline, coordination, and accountability as they apply to these firms.

The comparative analysis of the use of defense contractors by the Governments of the United State, Israel and Great Britain will provide a greater understanding of the future role of private firms in counter terrorism. By examining how it translates into public policy and the economic benefits for its use in the counter terrorism effort, governments will become more effective and efficient. The outcome of this evaluation is to determine the best course of action by correlating the U.S. practices to Israel and Great Britain. The three allied countries are riddled with terrorist activities that are unpredictable and expensive to combat. Due to the expense and the complicated, bureaucratic nature of the governments in the previously mentioned countries, defense contractors, who operate in staff augmentation roles, are highly desired. A picture of the steps needed to perfect the U.S. strategy can be developed through the use of public lists of government contractors, as well as research on various companies and their roles within the U.S. government, especially when compared to policy in Israel and Great Britain.

Drawing parallels between the U.S, Israel and Great Britain will allow for a fair comparison of their counter terrorism strategies, particularly as they relate to defense contractors. This assessment will show that the U.S. has created a niche industry to
support counter terrorism activities, either in support roles or through direct impact, similar to Israel and Great Britain. Ultimately, the analysis of the use of defense contractors will determine economic and public policy efficiency, while providing a recommendation for or against the use of defense contractors.
CHAPTER 2

U.S GOVERNMENT’S USE OF DEFENSE CONTRACTORS IN THE POST 9/11/2001 WORLD

The terrorist attacks on September 11, 2001 in New York City, Washington D.C. and Pennsylvania altered the United States’ counter terrorism strategy. This was only the second time in recent U.S. history that an attack took place within U.S. boundaries by a foreign entity. The first terrorist attack was on the World Trade Center in 1993. After having debated terrorism policy, with little resolution, following the first attack on the World Trade Center in 1993, the Government reacted aggressively to the September 11, 2001 attacks. The U.S. intelligence and military forces launched a worldwide offensive against al Qaeda using all of the tools at their disposal including: private sector companies established providing security support, staff augmentation and strategic planning. A number of firms were established in the Washington D.C. area to meet this requirement. These private firms played a non-traditional role in the counter terrorism efforts during the War on Terror, which entrenched their presence in operating side-by-side with Government personnel.

One day prior to the 9/11 terrorist attacks, the Secretary of Defense, Donald Rumsfeld, delivered a speech to Pentagon personnel stating the Department of Defense (DOD) was bloated and stifled by its bureaucracy. He argued for increased privatization of non-core areas such as payroll and facilities maintenance. Coincidentally the next day, the U.S. was attacked which helped accelerate the growth of private firms throughout the
DOD because they could deploy to Afghanistan and Iraq with short notice. The Bush Administration came under increased scrutiny for their use of private sector resources following 9/11. Many support functions were, and still are, contracted out to the private sector and include: areas of visitor security, monitoring and escorting non-DOD officials around federal buildings. According to Allison Stanger who has researched the U.S. government’s use of contractors, “From 1994 to 2001, the DOD entered into 3,061 contracts at a total value of more than $300 billion. Nearly 90 percent of those contracts were held by just two companies Kellogg Brown & Root (KBR was a subsidiary of Halliburton until 2006, when Halliburton severed ties) and Booz Allen Hamilton.”

It has been estimated that nearly one third of the military’s budget is allocated for the use of private contractors. The presence of freelance employees has grown over 72 percent from 1996 to 2005 in the DOD. Allison Stanger states that this practice captured the attention of Congress years ago, “Rep. Henry Waxman’s (D-California) 2007 report on contracting trends under the Bush administration captures the upward trend. From 2000-2006 alone, procurement spending increased by $27.6 billion, an increase of 10 percent.”

Contractors manage multiple areas formerly designated as government roles only to be filled and managed by government employees. The efforts in Afghanistan and Iraq strengthened the presence of defense contractors in the public sector. Now businesses are seemingly unregulated, “These businesses not only supply armed guards, but also technical services

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1 Stanger, *One Nation Under Contract*, 87.

2 Ibid.

3 Ibid., 89.
across the full spectrum of military and military support functions, such as weapons
maintenance and operations, site guarding, training, education, risk analysis, intelligence,
transport, supplies, logistics and base management.”

Equally as of 1996 the DOD outsourced 25 percent of its employment needs, “Contractors are an integral part of base
commercial activities, 28 percent of depot maintenance and 70 percent of army aviation
training for the U.S. Armed Forces. By 2008 this proportion had more than doubled in
key sectors such as management, telecommunications, maintenance and repair.”

Defense contractors have advanced the government’s capabilities, while exposing
a contracts management issue as follows:

As contracting expert Steve Schooner has aptly remarked, ‘It’s been an
unmitigated disaster…there are not enough trained professionals in the
government to manage the contractors that the government needs every day. Add
it all up and it becomes quickly obvious that a rapid increase in Pentagon
contracting, coupled with a decrease in resources devoted to oversight, have been
a recipe for mismanagement and corruption.’

Congress provides limited oversight, because they don’t have to approve contracts under
$50 million. The Central Intelligence Agency (CIA), which employs many private
contractors, is equally able to operate without transparent oversight, “The Central

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4 Elke Krahmann, States, Citizens and the Privatisation of Security (United Kingdom: Cambridge
University Press, 2010), 1-2.

5 Ibid.

6 Stanger, One Nation Under Contract, 89.
Intelligence Agency (CIA) isn’t required to follow the standard contracting procedures due to their sensitive nature and operating environment.”

The wars in Afghanistan and Iraq forced the DOD to rely on private firms. Selected firms quickly mobilized and established their presence in both countries, but they also were unregulated and incident prone, “In 2006, the U.S. attorney general’s office unsealed charges that a former employee of Kellogg, Brown, and Root (KBR; the company in charge of logistics in Iraq and Afghanistan) had received $124,000 in kickbacks.” There are numerous comparable incidents, where companies were out of control and not properly managed by the government.

The Bush Administration’s miscalculations in Iraq and Afghanistan added more cost to the ongoing wars and reconstruction. It also weakened the image of the U.S. because the international community viewed the flawed approach as too forceful and incapable of resolution. Unfortunately, private contractors complicated American efforts and reputation abroad and were subjects of international scrutiny when they behaved recklessly.

The government works with large companies, such as Computer Science Corporation, DynCorp, and Northrop Grumman, which promote unique capabilities and cost savings to the federal government. Almost all large companies have acquired boutique firms that offer specialized skills and products. In 1996 the RAND Corporation conducted a study, stating that work in areas that are fluid in uncertain environments,

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7 Ibid., 91.
8 Ibid., 3.
“services which require customized assets” and job descriptions that are hard to define and “failure is difficult to prove” should be kept in public control. Outsourcing various functions to the private sector shouldn’t be seen as a negative process. However, the government needs to create and follow appropriate rules and regulations to ensure a cost savings and increasing efficient result. The government received better-cost savings before 1997 when it followed the A-76 process. The Clinton administration increased outsourcing in 1997 and with fewer adherences to the formal process resulted in fewer cost savings.

Following 9/11, the Bush Administration’s reliance on private firms to support war activities was lucrative for defense contractors. The military estimated 500,000 soldiers were required to successfully complete both wars, but the Bush Administration, including Secretary of Defense Donald Rumsfeld, insisted that only 100,000 troops were needed. The administration thought the international community would be more willing to participate and it would ease the burden on the U.S. provide all of the soldiers for both wars. This scenario did not develop as hoped, and as a result, the U.S. and U.K. had the largest number of forces on the ground. Other smaller countries provided teams of soldiers, but were not willing to send more because ultimately the wars were seen as unjustified once weapons of mass destruction were not discovered. Contentious debates erupted between the U.S. and European countries, especially France which felt the intelligence used by the Bush Administration was unreliable and did not justify invading Iraq.

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The Bush Administration did not predict the appropriate number of soldiers it would require to complete both wars and participate in reconstruction activities. They relied on the private sector for support during conflict and through post conflict reconstruction efforts, “By 2008 private contractors working for the DOD outnumbered the entire US contingent with approximately 155,000 employees as compared to 140,000 soldiers. The cost of private military support exceeded $76 billion, accounting for 17 per cent of the total US budget spend in Iraq.”\(^\text{10}\) According to Allison Stanger, the U.S. has spent over $26 billion on logistics and management support on contracts such as LOGCAP I-IV, which includes administrative, maintenance, food and mail delivery in theatre. LOGCAP IV has been awarded four times and most recently was re-awarded in 2007 to DynCorp, KBR, and Fluor. Contract requirements continue to grow and have over 34,000 employees supporting the DOD with thousands of local national hires and over 200 subcontractors.\(^\text{11}\) Defense contractors, during the Afghanistan and Iraq wars, provided not only logistical support, but also highly sophisticated technologies. Increasingly companies provide communications, intelligence and other sophisticated areas of expertise. Surprisingly the U.S. intelligence community increasingly relies on private contractors, specifically in Iraq with contracts worth over $650 million in translation services. Again, the lack of experienced contract managers in the CIA created a volatile contracting environment because rules and regulations were not being enforced. Embarrassing incidents and examples of poor management include: Abu Ghraib, where

\(^{10}\) Ibid., 205.

\(^{11}\) Ibid.
prisoners were tortured and humiliated by U.S. defense contractor, Titan. Titan rebid the contract when it was time for renewal and the government rewarded it to them, even after the scandal was made public. Equally problematic, the CIA later awarded a $4.6 billion contract to Global Linguist Solutions, managed by DynCorp and McNeil technologies, “Under the contract the company planned to employ 6,000 local translators and 1,000 U.S. citizens with security clearances.”

The U.K. and the U.S. share a similar history with their reliance on the private sector in public roles. In the early 1980’s Prime Minister (PM) Margaret Thatcher and President Ronald Reagan advocated for less expensive services and more specialized options. President Reagan wanted “small states” which didn’t fully materialize because defense spending continued to dramatically increase. President Ronald Reagan shared Prime Minister (PM) Thatcher’s Neoliberal outlook aimed at reducing government costs and while keeping a stronghold over public positions. Ironically, Reagan who preached the neoliberal outlook “advocated and implemented one of the largest increases in military investments since two World Wars.”

Areas such as education and health saw dramatic cuts as the administration sought to streamline the procurement process in the U.S. by passing the Competition in Contracting Act of 1984. As more military services were outsourced, codes like Title 10 helped limit the amount of jobs that could be subcontracted. For example, Title 10 requires “that at least 60 percent of depot

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12 Ibid., 207.

13 Ibid., 75.
maintenance had to be performed by Federal employees and by mandating public-private competitions before work in excess of $3 million could be outsourced…”14

Presidents Bush and Clinton relied more on the private sector following the end of the Cold War. Even though the Reagan administration championed the use of private businesses, he was watchful of government absorbing unnecessary costs. In contrast, President Clinton looked to businesses to assist his administration in balancing the budget, reduce cost, and introduce new expertise to the U.S. government. The Bush and Clinton administrations were faced with international conflicts, such as the first Gulf war in Iraq, the Balkan war in Bosnia, and the East African war in Somalia, “The George W. Bush administration adopted increasingly interventionist security policies, aimed at addressing security threats before they could have a major impact on the U.S homeland.”15 The international conflicts placed financial restraints on the public sector and increased the use of government contractors because they costs less than keeping various regions in permanent government operations.

Private defense companies are known for their support of government functions, such as operations and maintenance, base operations, technical trade skills, analysis, intelligence collection and combat support services. The U.S. government has developed guidelines for defense contractors to ensure that sensitive information and activities won’t be misused. The government also created procurement processes and guidelines to ensure the ethical use of the private sector. The A-76 process helps the government

14 Ibid., 77.

15 Ibid., 119-120.
provide fair and open competition for companies interested in bidding on government contracts. The A-76 allows the government to vet and learn more about firms which are new to the defense-contracting environment. Additionally the Foreign Corrupt Practices Act (FCPA) was created to provide guidelines for businesses working in foreign arenas. The FCPA provides a legal foundation for companies to follow as they work with foreign customers and helps protect how American’s are allowed to do business abroad.

The Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd-1, et seq. ("FCPA"), was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. Specifically, the anti-bribery provisions of the FCPA prohibit the willful use of the mails or any means of instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person.\(^\text{16}\)

The government relies on the A-76 process and also the FAR to help guide their professional choices. The procurement process is imperfect, even with additional regulations, because companies lobbying the government-contracting officer for work easily manipulate it, “The regulation is supposed to make procedures consistent across the federal bureaucracy, but after years in practice, it no longer works this way.”\(^\text{17}\)

Departments have included additional guidelines: “Contractors are barred from making


false claims or statements to the government (such as overbilling or charging for services not provided), are required to establish procedures preventing conflicts of interest in dealing with federal employees, are prohibited from offering ‘kick-backs,’ and are prevented from using appropriated government money for lobbying.”

The private sector uses the FAR and its adaptations to guide its official business with the government. Public officials also have strict procurement laws they need to work within, “Only federal contracting officers have the authority to enter into, administer, or terminate federal contracts.”

Every agency starts the procurement process by releasing a Request for Proposal (RFP), which allows companies to openly pursue contracts. There are some exceptions with agencies like the CIA, which invites selected companies to bid on work coming out of their agency. Firms respond to the RFP describing how they are qualified and able to administer the contract, how the project will be organized, and how much it will cost. The Office of Management and Budget (OMB) releases an “A-76” which determines if the U.S. government will outsource a field of work to the private sector, according to, James Carafano, “An OMB Circular A-76 describes how to decide what missions are inherently governmental and what tasks might be better performed by commercial enterprises.”

The first Circular A-76 was released in 1966 under President Lyndon Johnson. It determines if the government or contractor is better equipped to perform any given task.

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18 Ibid. 72.

19 Ibid.

20 Ibid., 73.
Once this is decided, either the government holds on to the task or it’s released to private contractors for bidding. All government procurements have “A Performance Work Statement (PWS) that describes the kind of work to be performed and the standards for its performance…The competition involves comparing private companies’ proposals to fulfill the PWS against what it would cost to have a government workforce perform the task – “in-house” cost estimate.”\textsuperscript{21} The PWS should provide all of the necessary contract details and help contractors provide adequate contract management. However, PWS’s released by the U.S. government often lack clear and sufficient requirements which skews the real cost of the bid.

At the third level, the evaluation stage, the military base responsible for the function develops a statement which outlines the type of work, the work hours and skills required. At the fourth stage the armed forces publicly advertise the statement and invite bids from private companies. At the same time the military develops a competing bid, known as the Most Efficient Organization (MEO). Finally, the military and private sector bids are compared. If a private sector bid is 10 per cent of the personnel cost or $10 million lower than the MEO, the contract is awarded to the private bidder.\textsuperscript{22}

As James Carafano states, the private sector will prevail as long as they are 10% less expensive than the government. This is a difficult process for both the government and private industry, because each group claims there are steps taken in either privatizing or the decision process that are biased towards one or the other side. Companies are constantly trying to win work from the government and often under estimate their costs to

\begin{footnotesize}
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\item[\textsuperscript{21}] Ibid.
\item[\textsuperscript{22}] Krahmann. States, Citizens and the Privatisation of Security. 121.
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win the contract. The government complicates this because it doesn’t have enough qualified contracting officers to award, manage and handle contract issues.

There are conflicting surveys on whether the government saves money by outsourcing work at this point. Two studies show that there are savings benefits created by outsourcing. In 2000 RAND published a report based on a longitudinal study that took place over seven years of DOD outsourcing. It stated that contractors had accurately estimated their costs and savings potential, which did lead to a real savings for the military. The center for Naval Analyses (CNA) studied from 1978 to 1994 and found there had been a savings of $1.5 billion.\(^{23}\)

The U.S. in the 1990’s under the Clinton administration experienced a “National Performance Review.”\(^{24}\) Almost all government agencies experienced budget cuts with the pressure to maintain operations without noticing fewer support personnel available. The cost of research and development continued to grow exponentially, so “A number of governments sought to preserve vital defense industries through marketization.”\(^{25}\) As a result of this trend an unexpected consequence occurred; therefore, “The ultimate outcome is that government is no longer the preferred or even the default solution for public concerns.”\(^{26}\) Private Military Firms (PMFs) have several advantages over

\(^{23}\) Carafano. *Private Sector, Public Wars*, 74.


\(^{25}\) Ibid., 68.

\(^{26}\) Ibid., 69.
government and other commercial contractors. PMFs are fortunate because they are able to easily join in the private military services arena at a low cost and maintain a wide and inexpensive labor group willing to go to work. Private contractors pay their employees much more than the government is able to afford with the discrepancy ranging from “2 to 10 times as much”\(^{27}\) compared to a public servants salary. Many senior government personnel are enticed into private sector jobs as a result of the dramatic pay differences. Former public officials are highly trained and understand the needs of the government, which is inviting for private firms because they don’t have to invest in training new employees. Ultimately this discrepancy leads to difficulty maintaining experienced staff levels in government agencies.

The Clinton administration established the criteria for determining if work should be outsourced back on the DOD with the passage of the Federal Activities Inventory Reform (FAIR) Act in 1998. This legislation mandated agencies to perform internal audits to determine areas, which could be outsourced. The DOD in 1999 decided all areas could be up for grabs except for direct combat roles and activities. The FAIR act lacked necessary definitions of what roles were inherently governmental and therefore produced interpretations within government agencies, which didn’t match other agencies or even departments within the DOD who did their own audits at a lower level. The Clinton administration succeeded in starting the outsourcing process but had to place pressure on agencies to put forth a decent number of positions to be competed in the A-76 process. Initially this amount included 30,000 positions with this number dramatically increasing

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\(^{27}\) Ibid., 74.
under the George W. Bush administration, going as high as 226,000 positions from 2004 to 2009.\footnote{Krahmann. States, Citizens and the Privatisation of Security, 129.}

In 1993, President Clinton wanted to continue the reduction in government spending by looking to the private sector for capabilities. President Clinton gave Vice President Al Gore the responsibility to carry out this trend, and he did so through his “National Performance Review” which identified areas that could be managed by private industry. Gore said the new age government had to be “smaller, smarter and more responsive.”\footnote{Ibid., 122.} The Clinton administration convened two commissions, first the Commission on Roles and Missions of the Armed Forces, followed by the Commission, National Partnership for Reinventing Government, reporting how the Clinton/Gore policies would impact the military. “The commission argued that outsourcing and management reforms would help to reduce the cost of defense.”\footnote{Ibid., 123.} “…The commission proposed that the military should focus on its ‘core competencies’ and rid itself of ‘commercial type’ functions.”\footnote{Ibid.} The areas identified as “commercial type” work were “warehousing, weapon system depot maintenance and property management.”\footnote{Ibid.} The commission suggested that future support work be outsourced without having to go

\footnote{Krahmann. States, Citizens and the Privatisation of Security, 129.}

\footnote{Ibid., 122.}

\footnote{Ibid., 123.}

\footnote{Ibid.}

\footnote{Ibid.}
through the A-76 process. The commission also reviewed and determined the “U.S. Code, Title 10-Armed Forces which prohibited the contracting-out of key military occupations.” was restrictive. The code also mandated that 60% of depot maintenance be performed by a government employee. This included security guard forces and fire fighters. The code also required companies who were working in the production of equipment for the military not be foreign owned or managed.

Under Defense Secretary William Cohen’s leadership, there was a real push for reliance on the private sector. His conception appeared in the mid 1990s, “In 1996 the DOD report Improving the Combat Edge Through Outsourcing presented an outline of how these policies could be implemented;” Secretary Cohen’s Defense Reform Initiative started in 1997 with a detailed expectation of “management techniques” and the introduction of business processes in the Pentagon. The Clinton administration hoped to save 20% by reducing spending with the use of private contractors as documented, “In 1999 the House Committee on Armed Services ‘noted that prior Department of Defense reform initiatives had not generated the anticipated savings and had created difficulties because of premature budge reductions.’” Eventually the administration realized this method was flawed and needed more time in order to rework their goals from reduction of spending to improved efficiency.

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33 Ibid., 123.

34 Ibid.

35 Ibid., 124.
The DOD fell under more work to try to ensure contractors were performing at the expected levels. This added to the cost of the private sector and eliminated any cost advantage associated without outsourcing by 2001. The new Bush administration remained committed to the Clinton administration’s efforts in privatizing by raising “Numerical quotas for military positions [were] to be examined through A-76 cost comparisons.”

The Bush administration echoed the UK’s time lengths on contracts, with the idea that they would build stronger working relationships between the government and the private sector, ultimately gaining a level of trust and requiring less government oversight. Elke Krahmann states:

> The USA has become internationally known for the scale to which it has outsourced national and international security services to private military contractors. In 2008 the US defense budget amounted to $650 billion of which the armed forces spent $315 billion on military equipment and services supplied by private companies.

Unlike the UK, the U.S. has consistently debated which areas could be outsourced, versus those that need to be strictly managed and operated by the government. Naturally if private industry is incapable or lacks experience in areas of the government, those functions won’t be outsourced. Private industry will not be granted contracts if they can’t show past experience in the relative fields.

The Commission on Roles and Mission of the Armed Forces in the 1990’s recommended internal retraining of various areas of the government, particularly in the DOD, and not outsource those specific sections. The military wasn’t in favor of

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36 Ibid., 125.

37 Ibid.
outsourcing positions. In fact they stated work should only be outsourced as long as it
doesn’t negatively impact key functioning areas, real competition in the market would
ensue, and the outsourced functions would provide a cost savings for the DOD. It was
clearly stated in a government report, “In fact, the Annual Defense Report 1997 argued:
‘Many activities can be best performed by the government entities currently doing the
job-because of expertise or technological edge, or for other reasons. In these cases, the
Department will retain these capabilities.’”\(^{38}\)

Regulations such as the FAR and the Competition in Contracting Act of 1984,
“Require ‘full and open competition’ for government contracts,”\(^{39}\) to help ensure the
government was getting the best services at the best rate. Naturally, there are loopholes in
the process, because the Secretary of Defense could bypass the open competition
requirement and declare the process, “Might compromise national security, or if a
national emergency exists, other alternatives might be used.”\(^{40}\) One manner in
circumventing open sourcing is to request a sole source contract, which dramatically
increased following 9/11. This loophole is evident when viewing Congressional
documents, “According to one Congressional report, the federal government issued
$67.5 billion in sole source contracts, but in 2005 the figure more than doubled to $145

\(^{38}\) Ibid., 127.

\(^{39}\) Carafano. \textit{Private Sector, Public Wars}, 78.

\(^{40}\) Ibid.
billion.” As all forms of contracts have been released and awarded, the number of staff or specifically contracting officers hasn’t increased with the government. After the end of the Cold War many government agencies experienced a downsized force which helped the government save tremendous amounts of budget money. This changed following 9/11, when the U.S. government was unprepared for managing such a huge growth in private contractors, who provided support to the U.S. Government. Contracting officers learned their roles and better oversight ensued as they started managing an increased number of contracts. The government can rely on processes, to some extent, to help oversee contracts, specifically by using the Special Inspector General for Iraq (SIGIR). The office has handled ongoing investigations into bribery, fraud, and a variety of other cases, which include both military and civilian personnel.

The FAIR act requested government agencies be more transparent and show jobs which should remain in the government or be completed by the private sector. This trend continued into the Bush administration with “26 percent of the workforce” already filled by private contractors. The military and the Department of Education were two of the top outsourcers of public positions, and this grew dramatically for the DOD after 9/11 with the surge of troops in the Middle East.

Given the number of contractors already actively supporting the military and the quality of the product the private sector was well established, “Already by 1996 the DOD brought 25 percent of base commercial activities, 28 percent of depot maintenance, 10

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41 Ibid., 78.

42 Ibid., 75.
percent of finance and accounting, 70 percent of Army aviation training, 45 percent of surplus property disposal, and 33 percent of part distributions’ from the private sector."^43

Since 1996 spending on contractors has increased over 146%, according to Elke Krahmann, at a cost of at least $113 billion. The increased spending was in areas primarily concerned with “administration management (277 per cent), transport and travel (190 per cent), training and education (178 per cent), data processing and communications (173 percent), utilities and housekeeping (154 per cent), and maintenance and repair (122 per cent).”^44 This growth represents more areas being outsourced following 1990, but it also is a sign that the jobs, which were considered to be strictly government roles in the past, are now open for the private sector to take over. Even jobs in areas such as national intelligence, which were once considered off limits to contractors, are now being outsourced. The government is utilizing contractors who are working alongside government personnel providing analytical services for sensitive projects. Many contracts presently are awarded under Indefinite delivery/Indefinite quantity (IDIQ) terms allowing the government flexibility in budget and scope of work requirements. One of the largest contracts is called Logistic Civil Augmentation Program (LOGCAP), an ongoing contract with a complex subcontracting schemes attached. LOGCAP provides logistical support to the U.S. Army and has been awarded four times, originally to DynCorp who had a single award. IDIQ, and KBR won the LOGCAP II and III, and LOGCAP IV was awarded to DynCorp, KBR, and Flour. This was the single


^44 Ibid., 129-130.
largest contingency services contract used to support the U.S. military logistics chain. It provides construction, housing, fuel, dining services and much more. It is the life support contract for the military. Large contracts like LOGCAP provide a wide base of support services but they also grow into mini bureaucracies, which makes them less efficient and slower to deliver services. As a result LOGCAP became riddled with contracting issues and lacked oversight from the government because of its increasing size.

The contracting issues on LOGCAP weren’t unique and were often found in other contracts that were awarded during the ramp up for the invasions of Afghanistan and Iraq. Government accounting systems and contract management weren’t prepared or trained to oversee the complex contracts operating in war zones. KBR suffered from contract problems in the early 2000’s, many of which derived from the fact that Halliburton owned them and their former CEO was Richard Cheney, Vice President of the United States. The increased scrutiny on KBR and other large contractors helped bring problems into the open, and eventually it became clear the government and the private sector were equally responsible for missteps. Companies were in reactive positions working in fluid environments and the government lacked qualified personnel to effectively manage large complex programs with changing requirements. In 2001 the Bush administration continued the Clinton administration’s privatization goals and ramped up the number of positions to be considered for outsourcing. Areas such as “armed-security guarding, intelligence analysis and management.”\(^{45}\) have been

\(^{45}\) Ibid., 132.
outsourced to the private sector. The outsourcing of armed-security guarding has been a particularly interesting policy reversal. According to Elke Krahmann:

Since the 1980’s armed security-guarding has been a core task of the armed forces legally exempted from outsourcing ‘because of concerns about the uncertain quality and reliability of private security guard personnel, and the right of contractor personnel to strike’. This changed in 2003 when Congress approved a waiver on the legal ban on the private guarding of domestic military bases due to the increased demands on military police and security guards after the terrorist attacks of 11 September 2001.  

President Obama followed the Bush administrations reliance on the private sector, especially in Afghanistan and Iraq as the wars downscaled and the Iraq war eventually coming to an end. However since his election to office in 2008, the downturn in the U.S. economy has highlighted defense spending and increased tensions between the Democratic and Republican parties. Stalemates have become increasingly the standard operating procedure in Washington D.C., where both parties are unwilling to compromise and agree on budget issues, which has resulted in events such as the Sequester in January 2013. The 2013 sequester led to cuts in defense spending and increased scrutiny of private contractors for their work and billing practices. Defense contractors have adopted protectionist business practices leading to massive reductions in forced layoffs and more conservative bidding strategies.

Defense contracting firms aren’t being utilized efficiently under the Obama administration. Privatizing large portions of the public sector is increasingly unpopular and troubling to many public officials. Concerns with the private sector aren’t unfounded,

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46 Ibid.
but ultimately the lack of discussion between the public and private sector is hindering the potential benefits of using companies to perform work for the U.S. government. Firms could be forced into greater competition in the private sector where they are forced to design, develop, test and provide a superior product to the government. Instead, there is a fear of change both in practice and companies who historically have supported the American government.

The U.S. government has forgotten to fully utilize systems such as the FAR to fairly regulate and procure services from interested firms. “…Government contracting is layered with Congressional mandates, White House policies, and departmental regulatory requirements.”\(^{47}\) Resulting in less necessary competition and allows room for companies to take advantage of the procurement process. “The many Congressional, executive, and judicial structures are intended to make the process fairer and more transparent, and to ensure that the government gets the best quality of service at the lowest price.”\(^{48}\) The Federal Acquisition Regulation (FAR) provides all government guidelines in terms of contracting. This was created under President Ronald Reagan in 1984 to help eliminate fraud and wasteful spending in the U.S. government.

The unprecedented growth in private government contracting firms has slowed down considerably, especially when you consider that the National Defense Authorization Act for Fiscal Year 2008 required DOD to eliminate 50 percent of private security forces because of a Government Accountability Office (GAO) record showing

\(^{47}\) Carafano, *Private Sector, Public Wars*, 71.

\(^{48}\) Ibid.
the military didn’t follow the bid competing process. The record showed that in 2006 contracts for “46 out of 57 military installations” had been awarded without proper competition in the market. The mismanagement by private contractors often results in wasteful spending and has lead to major embarrassing international events. One example occurred when sixty private security guards assigned to the US mission in Afghanistan were brought up on criminal charges. A significant number of them also lacked the essential training needed for their positions. The DoD and CIA can be used as case studies to show how the lack of supervision and unclear requirements can lead to embarrassing events when private contractors fill “inherently government roles.” Firms are suppose to be useful to the government, provide superior capabilities at a low cost, and see to it that production is efficiently implemented in operational environments. There are flaws in the contracting process which allows companies who are unqualified or badly managed to infiltrate the public sector.

One particular event highlighting the lack of supervision from the Government and business was the prison scandal at Abu Ghraib in Iraq. The CIA had partnered with a linguistics company called Titan to provide translating support at the prison. The interpreters used embarrassing tactics to elicit information out of the detainees and photographed many of the disconcerting moments. Once the pictures were released for the public to see, there was a negative backlash against Americans posted in Iraq and hurt the U.S.’ image in the international community. The CIA and Defense Intelligence Agency (DIA) have ramped up their use of private contractors, but not proper contract

management training for government personnel. The increased reliance on private companies to support American government activities and the lack of qualified personnel to manage firms is a dangerous combination. Especially when a former Director of DIA stated that, “70 per cent of the work at the now defunct Counterintelligence Field Activity unit was conducted by private contractor.”

Complicating the flawed contracting system further is their partial management of the defense budget by private companies including, “the preparation of cost estimates for military contract work, and the management and monitoring of other military contractors.”

The private sector is diverse in its capabilities and benefits available to the U.S. government. Employing uniquely trained former government employees allows businesses to retain institutional knowledge. Companies such as Booz Allen Hamilton run “the military staff college; SAIC supports the navy and air defenses; O'Gara protects the royal family and trains local security forces; and Cable and Wireless provides training in counter terrorism and urban warfare.” The transfer of highly trained public servants to the private sector does continue to benefit the U.S. Government. Executive Outcomes, Military Professional Resources (MPRI), and Brown & Root Services all provide services to the U.S. government and have extensive experience working in the public sector. They also have been part of many negative contracting models, which allow critics of military privatization to argue that functioning departments should be managed by government

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50 Ibid., 133.

51 Ibid. 134.

personnel rather than private contractors. As P.W. Singer states in Corporate Warriors, "Society has a direct, continuing, and general interest in the employment of the skill for the enhancement of its own military security. While all professions are to some extent regulated by the state, the military profession is monopolized by the state."\textsuperscript{53} Private Military Firms (PMF's) operate in a global economy and were first "developed post Cold War where businesses were able to operate in military roles for the first time-in a significant lead."\textsuperscript{54}

U.S. companies can be found throughout the African continent, specifically in Sudan, the Republic of Congo, and many other nations which are experiencing political turmoil. American firms provide military advice, training, support, and even military operations activities to governments and rebel groups trying to overthrow existing governments. African rebel groups have contracted U.S. companies such as, Airscan in Sudan, for specialized training and support where they have provided "aerial reconnaissance and intelligence"\textsuperscript{55} services. Other American firms such as Ronco, DSL, Pacific Architects (PAE) have provided a variety of specialized services ranging from demining capabilities in Liberia, to "military aviation and logistics support to the ECOMOG peace keeping force."\textsuperscript{56}

\textsuperscript{53} Ibid., 8.

\textsuperscript{54} Ibid., 9.

\textsuperscript{55} Ibid., 10.

\textsuperscript{56} Ibid., 11.
American firms are highly sought after and have an expansive global presence, but other countries are equally represented with London as their unofficial headquarters for European defense contractors in the region. American and other international firms often compete with each other for work. For example, MPRI provided military restructuring support to Macedonia as well as training for the Kosovar Liberations Army. Further its commander General Ceku wanted MPRI to provide advisory services at the height of the war in Kosovo. Additionally companies like Cubic were tasked with restructuring the Hungarian military to meet NATO standards. There was a mixture of American and international firms which helped in these efforts. Firms active in international conflicts provide services directly to their clients but also serve as unofficial representatives of their home governments. Often governments rely on various firms being involved in conflict situations to serve as a watchful presence.

U.S. contractors support American interests worldwide. Similar work has been accomplished for Afghanistan’s President Hamid Karzai. He emerged as the new leader of Afghanistan, but his government wasn’t fully functioning. As a result, retired US Army Special Forces expert Craig Maxim proposed providing private security forces through the Department of State. Maxim was able to organize, train, and deploy his security team within three months through a DynCorp contract. Maxim was able to coordinate his security services team by knowing the right people, not by strictly using his skills and knowledge.

There are countless contracts on the market today and each contract can be worth up to over 100 million dollars. As of 2004, Brown & Root Services (BRS) received
upwards of 2 billion dollars for contracts with the U.S. Army in the Balkans.\textsuperscript{57} Companies profit from supporting the government, where most of the contract value goes to operations with a small overhead for profit. Contracts vary in size and value with companies receiving higher amounts of money when they operate in high-risk locations. Contractors in dangerous areas work alongside federal employees and deal with the same daily risks of being abroad. For example, at the end of 2009 there was a suicide bomb attack on the forward operating base, Camp Chapman, where several CIA employees’ along with several contract personnel were killed.\textsuperscript{58} Prior to this incident, backlashes against outside interventions by foreign governments and corporations were undermined differently, “In previous decades, the biggest risk faced by multi-national corporations operating in poor countries was nationalization and seizure of their assets by the local government.”\textsuperscript{59}

Often firms are used for supporting the oil industry, operating facilities, or even supporting U.S. government agencies, such as the CIA by providing facilities, maintenance support, analytical support, and other security services. “The dangers of operating in these zones are quite high. In Colombia, for example, rebels attacked

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\textsuperscript{57} Ibid., 80.
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corporate pipelines and other oil industry facilities 985 times between 1986-1996; in 2001 alone, the 480 mile Limon Corenas pipeline was bombed 170 times. “

Increasingly there is less variety and competition between private firms due to mergers and acquisitions. Companies often buy into new markets or eliminate competition through acquisitions very easily. For example the British firm Defense Service Limited (DSL) merged with an American firm called Armor Holdings in 1998 to pursue government contracts. DSL employed former Special Air Services (SAS) personnel providing security training and consultants for high threat locations, such as “The Democratic Republic of the Congo (former Zaire), where their officers guard the U.S., South African and Swiss embassies.” As DSL grew, they acquired firms. As a result of this Armor Holdings found DSL to be enticing and would help them access more markets, especially by hiring former Russian KGB officer, Michael Golovatov, and former U.S. White House Security head, Alan Golacinski, respectively. The private sector is constantly striving to entice agencies, like the CIA, to look to the private firms for improving their operational costs and efficiency. Their reliance on the private sector was justified when, “In 1995, for instance, the CIA held a public competition” for all agencies and companies to gather information on a policy scenario. The CIA’s team finished last and the company Open Source Solutions finished first. This is proof that

60 Ibid., 81.


private industry can help make government work more efficiently, but companies still need proper management and clearly established expectations from the government to be fully successful.

Firms like Executive Outcomes specialize in explicit skills needed in areas and provide services, “Unique expertise in low-intensity conflict, drawing from its many years of experience.” Companies are more advantageous when they can introduce new technologies or bridge information gaps by referring back to old techniques to accomplish tasks. Defense contracting is very useful for government agencies, but if they aren’t managed properly, or have clear program expectations, defense contracting can be costly and counterproductive. Defense contractors working in the Washington DC Metro area are all highly competitive firms, with many providing identical services. Some firms offer the government low cost proposals with a reduced work force, while others believe in charging a higher price and delivering innovative proposals with state of the art services. Additionally, they incorporate the newest practices and technologies exceeding their clients’ expectations. The Government is ultimately in the position to see all that companies have to offer and choose the most desirable path. Therefore, when government contractors don’t meet requirements or underestimate workload and costs of contracts, it’s not simply the firm’s fault. There is a shared responsibility between client and provider to have realistic expectations and capabilities.

Companies such as MPRI historically recruited personnel from high levels in the U.S. military to support government contracts, “Their collective experiences offer the

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63 Ibid., 116.
firm’s clients both strategic expertise and intimate ties to U.S. policy.” MPRI saw an opportunity to support the Pentagon following 1990 when the agency downsized its workforce, but still needed to complete work for the U.S. Military. MPRI created a global presence by working in areas where the U.S. can’t always operate by relying on former government officials still serving and consulting in areas like U.S. foreign policy. Companies are often used to support American interests abroad and in areas where it officially wants to keep a distance. Eight retired senior military officers for the U.S. military founded MPRI in 1987. They drew from a pool of former military personnel as potential candidates for future contracts. These identified personnel were held in a network and brought on to fill roles on different contracts, “As of 2002, over 12,500 personnel are on-call and the list grows by hundreds each year.”

The U.S. government benefits from public servants entering the private sector because they don’t lose institutional knowledge. MPRI built a company made up mostly of personnel from the U.S. Army, operating under the same rules and guidelines, creating a united workforce. Also, they have many candidates with combat experience and highly specialized degrees that are useful to current and future clients. This is especially important in times of war, when there is a shortage of experienced personnel on hand to run special projects. MPRI has been able to keep a close connection to the U.S. government, which has helped foster a trusting relationship between both parties.

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64 Ibid., 119.

65 Ibid.

66 Ibid., 120.
The U.S. government has benefitted a great deal from its strong relationships with private industry. The U.S. recommended companies such as MPRI to the Columbian government to aid their military in the war on drugs, allowing the U.S. to keep tabs on the situation. The company’s established reputation was confirmed and recommended by government officials, “The Columbian government chose MPRI after Brian Sheridan, U.S. Assistant Secretary of Defense for Special Operations Low-Intensity Conflict (SOLIC), recommended the firm to its Minister of Defense.”67 Also MPRI has partnered with international firms to introduce weapons and training to foreign ministries. MPRI supports the government in various ways, “Its foreign clients include doctrinal development, restructuring defense ministries, advanced war gaming, training on every type of weapons system, and military instruction down to squad level tactics.”68 MPRI’s employee expertise provided services, such as the “Training mimics the exact type of instruction that the MPRI personnel provided U.S. military personnel when they were on active duty.”69 MPRI won contracts providing “new equipment training for U.S. Active and reserve forces…and support to the army staff and war colleges.”70 MPRI grew internationally and took the opportunity of having personnel in the Baltic’s region to take over a contract in Croatia. They trained military personnel and were allowed to bid on

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67 Ibid., 121.

68 Ibid., 122.

69 Ibid.

70 Ibid., 123.
contracts in that country with the U.S. government’s support, “Under a contract with the State Department, 45 MPRI personnel served as border monitors for the U.N. Sanctions against Serbia from 1994-5.”\textsuperscript{71} They took two contracts where they helped Croatia’s defense ministry with “strategic long-term capabilities” under the leadership of “Retired Major General John Sewall, who had just served as the Pentagon’s point man in the region.”\textsuperscript{72} The second contract MPRI won, designed the “Democracy Transition Assistance Program (DTAP) that officially began in April 1995.”\textsuperscript{73} This program helped MPRI have an even greater global presence, including working to support the reorganization and retraining of the Nigerian military to aid in their attempts to eliminate corruption. USAID initially requested a survey of the Nigerian military, which led to MPRI winning a contract to implement their recommendations.

Brown & Root Services (BRS) provided “contingency operations” for the U.S. military during and after the Cold War by providing services to the “logistical support sector, Brown & Root moved into the business only after establishing itself in other areas, specifically engineering and energy services.”\textsuperscript{74} BRS entered the military contracting world as a civilian company instead of being developed as a post retirement firm. As of 2004, there were over 20,000 employees and they were earning an estimated six billion

\textsuperscript{71} Ibid., 125.

\textsuperscript{72} Ibid.

\textsuperscript{73} Ibid., 126.

\textsuperscript{74} Ibid., 136.
dollars annually.\textsuperscript{75} BRS’s success has been attributed to their strong political ties to U.S. politics. One of BRS’s early contracts had the company working on the Mansfield Dam in 1937 during a time when Congress wasn’t easily approving contracts. BRS paid future President Johnson, who was a Texas representative at the time, and was able to get approved funding to complete the construction of the dam. Later in American political history, “BRS was connected to the former U.S. Secretary of Defense Dick Cheney, who was named Halliburton’s CEO in 1995.”\textsuperscript{76} Eventually Cheney left his position at Halliburton to work for President George W. Bush with a handsome retirement package worth $33.7 million.

In spite of the controversies BRS developed a good reputation and received excellent ratings from their customers like The Army Corps of Engineers. Operationally they came under scrutiny when “escalating costs” on an overseas contract caused the General Accounting Office (GAO) to investigate. According to P.W. Singer the ballooning costs raised a red flag; therefore, “The firm was accused of over staffing and overcharging the U.S. Army on the costs; this predicament was exacerbated because the Army expanded its operations rapidly and at the outset did not monitor the company properly.”\textsuperscript{77} BRS had its successes and problems, and as they grew into overseas contracts they were accused of mistreating foreign workers and over running costs on

\textsuperscript{75} Ibid.
\textsuperscript{76} Ibid., 140.
\textsuperscript{77} Ibid., 141.
nearly 224 contracts.\textsuperscript{78} Through its BRS subsidiary, Halliburton had offices worldwide, even in countries that are hostile to the U.S. As a result of their business practices, “In 1995, Brown & Root was fined $3.8 million for re-exporting U.S. goods through a foreign subsidiary to Mu’ Gadafi’s ‘rogue regime’ in Libya.”\textsuperscript{79} Another example of their mismanagement was demonstrated “In Angola, the firm played a role in bank rolling the governments war efforts and may have been linked to illicit arms sales.”\textsuperscript{80}

Additionally Blackwater, which is now operating under the name of Academi, is a perfect example of how the lack of oversight and enforcement can lead to government contractors getting into serious trouble. In 2007 Blackwater employees were caught for shooting 17 Iraqi civilians. They provided an armed security guard contract with over 6,000 employees for the Department of State. Although this is only a fraction of the individuals assigned to the region, “Altogether it has been estimated that between 25,000 and 30,000 armed security contractors have worked for US government agencies and other customers in Iraq.”\textsuperscript{81}

The volume of people in Iraq to support the government of the U.S. and UK provided room and opportunity for issues to arise. Many issues were related to “Overcharging and fraud as well as the lack of governmental and legislative control over

\textsuperscript{78}Ibid., 142.

\textsuperscript{79}Ibid.

\textsuperscript{80}Ibid.

\textsuperscript{81}Krahmann, States, Citizens and the Privatisation of Security, 208.
private military contractors.” Also, KBR has been accused of overcharging the government for more than $100 million and receiving “kick backs” from local Iraqi subcontractors. These issues aren’t unique to companies like Blackwater, KBR and most contractors, no matter the size, were in a reactive mode during the invasions of Iraq and Afghanistan, but they were looking out for their personal gain. According to Elke Krahmann, “The lack of effective DOD oversight has not only permitted ‘fraud, waste, and abuse’, but has also undermined the democratic control of private military contractors in Iraq.”

Ultimately there is a shared responsibility between contractors and public servants that has developed, especially in high threat locations such as Afghanistan and Iraq during both wars. Military and other government personnel aren’t the only targets for local insurgents. Many contractors come under attack, which resulted in a loss of life. Sometimes the death of a contractor brings greater criticism against the American and British governments, who are accused of deploying contract security personnel without the proper training. The result can end in devastating consequences for contractors according to Elke Krahmann:

They illustrated that the insurgents acted in accord with the Geneva Conventions which stipulate that civilians and contractors accompanying the forces are legitimate military targets if and as long as they directly participate in hostilities. Some authors have argued that the Blackwater contractors who defended the CPA headquarters in Najaf in April 2004 could even be tried as mercenaries under the

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82 Ibid., 208.

83 Ibid., 209.
First Additional Protocol of the Geneva Convention because they were fighting in what was then still an international conflict or alien occupation. 

Often contractors happen to be at the wrong place at the wrong time and come under attack. In 2012 a private contractor supplying life support operations to a government agency came under threat when a suicide bomber fought his way onto a base in an isolated region. There were a handful of casualties for public servants and the death of a contracted carpenter who arrived for his one-year contract a few weeks prior to this attack. Contractors have increasingly become targets, just by being an American and serving highly guarded public compounds.

Often technical experts are found in the private sector today because there is a premium for their knowledge and expertise, “Well financed actors are thus able to buy state-of-the-art talent that gives them an edge. Moreover, by contracting out their armed actions, they lessen the risk to themselves.” The U.S. tries to keep a leading edge in military capabilities and often looks to the private sector to provide new technology and related advanced skill sets because they are participating in the “revolution in military affairs.” “Private firms might not only be able to match state armed forces in this new sphere of warfare, but also already draw a great deal of business from it.” Frequently

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84 Ibid., 223.


86 Ibid., 62.

87 Ibid., 63.
private industry operates alongside government personnel. They have become extremely common in the military arena. Their numbers have reached a point where it’s difficult to tell who is a government employee and who is working for private industry. As stated by P.W. Singer “Most of the information systems used by the world’s modern military forces are designed, developed, and managed by civilians, primarily for civilian purposes, and make extensive use of the civilian information infrastructure.”\textsuperscript{88} An analyst working in the U.S. military states, “The U.S. Army has concluded that in the future it will require contract personnel even in the close fight area, to keep its most modern systems functioning.”\textsuperscript{89} Following the Cold War, there was a global change in attitude from the Keynesian principles to faith in the market place to support the growth of organizations and to fulfill the general public’s needs. Governments outsourced public positions in order to revitalize fading industries.

The public and private sectors have formed close working relationships with each other, but they don’t always understand that they are motivated by different goals. For example, private industry is always striving towards building a profitable business and the government is looking for efficient and process oriented projects. As stated in Corporate Warriors, “Thus, the complexities of the agency relationship of the principal’s reliance on an agent with its own agenda.”\textsuperscript{90} Companies try to diversify and building a larger cliental base and worry about being profitable. The government needs to have

\textsuperscript{88} Ibid., 61.

\textsuperscript{89} Ibid.

\textsuperscript{90} Ibid., 151.
realistic expectations, monitor their contracts, and be willing to remove a company from a contract for negative performance. Companies need to operate cautiously, make sure they don’t over charge, and are at least meeting the minimum contract requirements. Project managers must learn and be held accountable, “In fact, one of the key lessons from general privatization is the importance of sophisticated mechanisms of monitoring and oversight to get around this problem.”

The government must protect itself from risk by providing clear and specific requirements, payment plans that are driven by a PMF meeting its deliverables, and retaining the right to terminate the contract if the PMF doesn’t perform. Unfortunately the government is a large bureaucracy, which helps conceal errors made by companies on contracts because there are too few experienced government contracts managers. Often companies are re-awarded contracts, even if they haven’t performed well because they are a known entity, require less work, and know the client already. This reduces healthy competition and eliminates lower costs and new technologies being introduced into the contract. Companies are allowed to keep contracts, even though they don’t meet expectations and the government grows increasingly uncomfortable with changing to another contractor. Equally many government contract managers lack the necessary experience and expertise in program management, which can negatively affect the operations on a contract. Also there is an issue with the “revolving door syndrome,” where a government contracts manager learns a role and understands the contract, but are ultimately promoted or moved out of that position to be replaced by someone with less

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91Ibid., 152.
experience. Often government personnel managing contractors go to work for the same companies they oversaw in their public positions. Currently there are some rules for government personnel who go to work for a PMF. For example, senior personnel are required to wait one year to lobby their former employers for contracts in the private sector and former government personnel cannot bid contracts they oversaw in their public position. According to P.W Singer “Businesses often make their estimates of how much to charge public agents not by their estimates of intrinsic costs, but by how much they believe they can get away with. This is particularly true for the fixed-cost or rate of return contracts that prevail in the defense services world.” On fixed cost contracts companies are inclined to underperform to increase profit. Fortunately, most experienced contract managers in the government find ways to avoid that scenario. Also the more competitive a company or industry has to be, the better for their customers who will often get a better and less expensive product. PMF’s sometimes receive short notice contracts or requests for work and need to quickly staff the necessary positions. As a result, they do so with under qualified candidates. For example, DynCorp won an aircraft maintenance contract with specific and specialized job descriptions. DynCorp proceeded to fill vacancies with candidates who only had a waitressing background and not aviation maintenance experience. Unfortunately this practice has resulted with, “The employees report that the number of aircraft that have crashed as a result of faulty maintenance and not enemy

92 Ibid., 155.
action, may be traced back to the fact that they were worked on by such unqualified, private firm personnel.\textsuperscript{93}

Government agencies sometimes grow too close to their contractors and the lines are blurred, leaving the contractor in an advantageous position. Currently, the U.S. government is heavily reliant on contractors to perform duties that once were completed by government or military personnel in the past. Now there are not enough experienced personnel in the public arena to fulfill these duties. For example, a member of the intelligence community has a facilities maintenance contract that handles all aspects of facilities maintenance from trash removal, cleaning bathrooms to electrical and carpenter work. The employees on the contract are required to have high level security clearances, therefore; can charge a premium because the pool of cleared and qualified candidates is incredibly small. The government has forced itself into paying high salaries for these positions because of the nuances it places on the private sector or just by using a private firm over a government employee. Also unions are very present in the tradesmen areas, this is important because they do lobby for workers rights, but specifically with the intelligence community, they have been able to place a premium on the positions they look over. Suddenly the cost for the private firm to perform work is higher than just hiring someone to work in the public sector.

In addition the government can use private firms to work in areas where they aren’t present or where American military members would normally perform certain duties, but for some reason restricted from doing so. For example during the second Clinton

\textsuperscript{93} Ibid., 156.
administration, the US Government “Quietly arranged the hire of a slew of PMF’s whose operations in Columbia range far beyond the narrow restrictions placed on U.S. soldiers fighting the drug war.”94 “Congressional investigators estimate the figure being spent on these firms at between $770 million and $1.3 billion.”95 The arrival of American contractors in Columbia was called, “Plan Columbia,” where companies such as MPRI met the national Columbian military and had a three-phase improvement program. Additionally Northrop Services provided support using technical training with tools such as radar sites. As the above-mentioned companies provided support, representatives of the U.S. went even further and were performing very technical services in remote locations. DynCorp specifically provided training for pilots and support to the Columbian police in dust cropping to ruin drug crops. P.W. Singer states, “Reportedly, however, DynCorp is also engaged in aerial reconnaissance and combat advisory roles for the Columbian military.”96 DynCorp and other companies provided a lot of support, but they also created a somewhat negative reputation because their employees were often viewed as “arrogant,” as well as willing and eager to participate in combat activities. Contract personnel do draw from a field of former military officers and U.S. government employees, which enables them to provide useful skills to help the U.S’ interests abroad. Contractors acting on behalf of the U.S government’s interest complicate both the working environment for the firm and the U.S. government representatives in the region.

94 Ibid., 207.

95 Ibid.

96 Ibid., 208.
For example, the Columbian rebels such as the FARC don’t see a true distinction between the firm and their home government. This could escalate fighting as well as increase the number of people fleeing a fight zone and overwhelming neighbors who would be receiving the refugees. Using contractors to engage in activities that American public officials are restricted from participating doesn’t always mean the U.S. government won’t end up involved in the conflict anyway. The companies are viewed as secretive institutions and come under greater threat than a public official would have been under in the first place. Especially when so many contractors are former public officials in the U.S., there’s often shared guilt when workers are in the field.

Furthermore, the government is in a precarious position because they lack sufficient contract oversight and basically cannot ensure that their policies and regulations will be implemented, specifically rules regarding security policies and procedures. Some contractors work tirelessly to follow the rules, but there have been a few who have hired foreign nationals to oversee classified contracts, which specifically prohibit non U.S. citizens from having knowledge of specific contracts. Current political events, such as the January 2013 sequester, where American politician’s failed to agree on budgeting allotments and reform in Washington D.C., have brought defense contractors under increased scrutiny. The American procurement process is inefficient and slow. Many contracting officers working in the government lack the expertise in managing contracts and large budgets. Often contracting officers don’t understand the scope of the work in their program and don’t know how to manage private contractors. This misunderstanding has fostered a contentious relationship between the
public and private sectors and has hindered the use of private firms. The lack of guidance from government representatives has allowed firms to run the risk of redundant operations and permitted companies the ability to over charge for skills and operations that may not be part of their requirement. Properly managed contractors were efficient because they hired qualified personnel and could assume responsibility of new contracts on short notice. Overtime some defense contractors became inefficient and mismanaged at the cost of the government. Inexperienced government contracting officers combined with mismanaged firms broke the contracting industry and needs to be reformed. Countless regulations were developed to guide private industry operating in public roles, but inexperienced and frustrated contracting officers have complicated the procurement process. Therefore, the federal government needs to insist on training and promoting qualified contracting officers to help run large and small programs. Companies must be forced to comply and meet expectations with more oversight, as long as there is an experienced government official who can help guide firms, “Companies can rapidly dissolve and recreate themselves whenever the need arises….”

As the government perfects contract management, without question there will be an outcry from the private sector, but they will adjust.

Defense contractors constantly pursue new opportunities, employees, clients and anything else that will grow their reputation. Also they will recreate their business models through acquisitions or RIF’s. Companies can rebrand their name and buy access into new markets through acquisitions. The government may end up doing business with

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97 Ibid., 75.
former defense contractor providers for better or for worse. Therefore, the government needs to be watchful of the ability of companies to recreate themselves and reproduce another failing business venture at their detriment. Private industry is flawed and usually the market forces mismanaged companies to change its business strategy or go out of business all together. Unfortunately firms can negatively impact their client, the government, who is increasingly reliant on private industry, “The client loses expertise and capabilities and becomes more reliant on the PMF. This is part of the reason behind the great traction of the industry.”

Firms anticipated defense cuts by performing reduction in force (RIF) activities and working with consultants, who wouldn’t add to their benefits and long-term employment costs. The one issue with this strategy is that companies aren’t always able to react to requests from their clients as quickly as possible. This is because they either have to recruit the qualified candidate to perform the work or find a company with the necessary expertise. Once that step is completed, they go through the entire process of negotiating a subcontracting agreement and receiving approval from the client. Sometimes private industry removes some of the benefits it should be able to provide to their clients, because they are slow in hiring personnel or put forward unqualified candidates to their clients. Well-managed companies form pools of candidates who don’t need training and are able to deploy for short-term operations on short notice. A company isn’t going to retain employees with skills that might be useful on a future contract, if

98 Ibid., 78.
there isn’t a strong chance of winning the contract or if the employee will be strategically important to the company winning the proposal.

Contractors need to be viewed through a complex lens and on many levels:

Three main dimensions. The first concerns the question of whether the replacement of national soldiers with international contractors has undermined the democratic safeguards against the abuse of military power in international affairs. The second dimension concerns the issue of whether their employment, in particular in what used to be core military functions such as armed security, has been sufficiently approved through national and international democratic processes. Finally, the third applies to the legitimacy and authority of the private military contractor as a new type of soldier.99

Many contractors, who end up servicing US and UK activities during a time of war, are operating only under the DOD or relative agency and without Congress or Parliament being intimately aware of their activities. Therefore, the U.S. Congress established a DOD tracking system called the Synchronized Pre-deployment and Operational Tracker during 2006 and the UK tried to replicate this process. This subject really came about after numerous events and issues where contractors, rightfully or wrongly, were accused of engaging in combat activities. In the courts of law, there are different definitions of self-defense or military behavior for those in private and public sector positions. With the growth of the contractors, especially in international conflicts, there are grey areas that apply to government contractors.

The U.S. faced similar legal issues as did the UK. Each of the three services that fell under the DOD umbrella had their own unique set of regulations dealing with contractors, which caused a serious amount of confusion during the Afghanistan and Iraq conflicts. As a result, in 2004 the DOD created the “Contractors Accompanying a

Deployed Force” set of regulations in addition to the existing FAR. This new set of regulations was aimed at streamlining contractor relevant regulations for all three services. Instead, it caused more confusion and wasn’t implemented effectively. Leaders in the field didn’t have time to study, understand, and implement the new guidelines because they were still in combat mode. Simultaneously, contractors were already serving alongside US armed forces and were too intimately involved in daily operations to cease all activities until they were clear on their duties and guidelines. The new regulations were still flawed because the DOD didn’t have complete oversight of the contractors, instead the companies and the specified contracting officers were the only figures of authority. According to Elke Krahmann:

In 2006 Congress therefore approved a major amendment to the National Defense Authorization Act of Fiscal Year 2007. This amendment placed all civilians accompanying the armed forces in declared wars or ‘contingency operations’ under the Uniform Code of Military Justice (UCMJ). In contrast to the UK, initial doubts as to the willingness of the US armed forces to apply military law to civilian contractors have been discredited by the first court martial of a contractor in May 2008.100

The UCMJ helped define rules, regulations, and legal guidelines for all U.S. contractors similar to CONDO for the U.K., “The UCMJ will only be used when US federal criminal courts are reluctant to prosecute civilian law offences or where ‘the person’s conduct is adverse to a significant military interest of the U.S.’”101 Another issue for the U.K. and the U.S. is the advantage private industry has over their respective governments. For example, when the wars in Iraq and Afghanistan went longer than

100 Ibid., 231.

101 Ibid.
expected in 2004, the UK and US weren’t prepared to re-compete contracts in both countries and still needed the services that contractors had been providing to the government. Both governments re-awarded contracts without going through the market competitive process, “Reputation, established relations and the preference of UK and US governments for national companies contributed to limiting competitive pressures on major contractors such as KBR, Vinnell and DynCorp.”\textsuperscript{102}

Many of the large contracts were IDIQ’s, which should have provided the government an opportunity to request work in specific areas with particular instructions. However, the requested work from the governments of the US and UK wasn’t always clear or ended up being totally different from what was needed. Contractors aren’t alone in the abuse of the fluid situations in Iraq. Many military personnel used contractors instead of troops to complete missions, because it would be quicker to use contractors. Also, contractors will pursue all opportunities, so they can’t be faulted for wanting to perform virtually any task. It’s necessary for the government to choose wisely and not follow their process requirements. For example KBR was hired to develop the reconstruction plan for Iraq and then was hired to implement the design work. This was a conflict of interest for the US government since it appears KBR was preferred over anyone else because they were involved in the planning stages. Even as the missteps happened, the government could have managed the problem by withholding contract invoices until specific requirements for the task orders were provided. That would have almost guaranteed the private firms stopping all work and negatively affecting military

\textsuperscript{102} Ibid., 233.
operations, “In deviation from US government procurement rules, the army thus decided not to delay payments to KBR for LOGCAP services in spite of Defense Contract Audit Agency reports that KBR lacked sufficient controls in its subcontracts and allegations of overcharging.”¹⁰³ Many of the contract issues were exacerbated by the lack of experienced contract oversight, especially for complex contracts with unique prime and subcontract networks. According to Elke Krahmann, “US Army investigators opened nearly fifty criminal probes into contractors employed in Iraq and the global ‘war on terror’ ranging from ‘high-dollar fraud to conspiracy to bribery and bid rigging.’”¹⁰⁴ By 2004 the Defense Contract Audit Agency employed 28 staff performing audits on over 80 contractors with contracts totaling $34.6 billion.¹⁰⁵

Defense contracting in the U.S. historically has been imperfect but essential to assisting military personnel, especially during periods where U.S. forces are engaged in combat activities. The past decade has been particularly difficult for both defense firms and the federal government. Both wars in Iraq and Afghanistan were chaotic and difficult to navigate due to changing threats and the U.S.’s evolving combat strategy. Both wars united contractors, government employees, and military officials on a daily basis and led to a unique situation where there weren’t always clear boundaries guiding contractors. As a result, privately employed personnel were privy to sensitive information and experiences that would harm the U.S. government if they were ever to be revealed.

¹⁰³ Ibid., 234.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.
Critics of defense contractors often place too much blame on the companies working in the field. There have been numerous events that helped bring the negative attention onto contractors but the U.S. government is culpable due to its fickle management of the firms. The legal codes haven’t evolved to address new issues that go along with the increased involvement of private companies in public arenas. Additionally, the government doesn’t always adhere to a consistent process of requesting bids from firms, selecting the qualified company, and then administering the contract properly. The government also has made the career track of contract management and operations seem like it’s a punishment rather than a promotion to handle government contracts. As a result, many unqualified and untrained government personnel are responsible and have negative impacts on contract operations. That being said, there are some exceptions and these individuals rarely are rewarded for properly overseeing their contracts. The U.S. Government would benefit from promoting qualified personnel and continually retraining contracts managers to address new issues in their areas of expertise.

Due to the negative behavior of some defense firms such as Blackwater, all defense contractors are under increased scrutiny. Negative events mentioned earlier in this chapter such as the prisoner mistreatment at Abu Ghraib have justified many critics of defense firms. Obviously all companies are not the same, but the U.S. government hasn’t managed defense firms properly and due to nepotism or preferential treatment, some unqualified and badly managed firms were selected to work in the public sector. Defense firms weren’t prepared for the amount of work they were going to win with the
start of the wars in Afghanistan and Iraq. Their internal auditing processes weren’t
developed enough to handle large and complex volumes of work. Contract personnel
often lacked the necessary training to fully support government activities. Finally, many
firms lacked qualified managers who were able to manage their relationships with their
respective contracts managers. Both the Government and companies suffered from
inexperienced personnel.

Ultimately, defense firms have proven to be essential to the success of the U.S.
Government and they don’t always deserve the negative attention that is highlighted
publically. Many companies provide state of the art products that are cheaper, more
efficient and helpful to the U.S. mission. Defense firms are filled with individuals who
have unique and specialized talents and are often overlooked because of the negative
attention brought on by events or mismanaged companies.

The U.S. Government and defense firms are fallible institutions filled with
qualified individuals and advanced capabilities. It’s unfair to spread the blame for a few
negative experiences or personnel. However, both groups require an internal assessment
and overhaul in order to address new and complicated requirements.
CHAPTER 3

CASE STUDY 1: GREAT BRITAIN

The British military has ramped up its outsourcing of prestigious and sensitive services, "A private firm has begun training the Royal Navy in operating and maintaining its newest nuclear-powered submarines."\(^1\) In 2001, the British Defense Ministry announced a plan to continue privatization of military services called the "Sponsored Reserves System," which transfers military services to contractors and includes the support for the Royal Navy aircrafts. According to P.W. Singer "Royal Army's tank transporter unit, Royal Air Forces air to tanker refueling contract" and was "expected to run more than $15 billion."\(^2\)

Government outsourcing gained momentum when Prime Minister Margaret Thatcher championed it upon her election as Prime Minister (PM) to the British Parliament in 1979. PM Thatcher encouraged denationalizing jobs and sending those positions to the private sector. This helped revitalize the suffering British economy. Once the British started privatizing their once national jobs, many countries followed, “Privatization represents the willingness of rulers to turn their backs on state patrimonialism."\(^3\) Even the U.S., under President Ronald Reagan, mirrored Britain’s hope to revitalize its government practices. The U.S. took longer to implement true

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\(^2\) Ibid.

\(^3\) Ibid., 67.
privatization of public positions, but under President Bill Clinton this process gained momentum.

In 1997 The British Government ran into difficulties in Sierra Leone when Sandline was used to “Circumvent UN arms embargoes and public troop limitations.” This turned into a large problem for the British government, which almost forced the British Foreign Minister Robin Cook to resign. Contractors taking over public positions have been viewed as a good way to make things more competitive and maybe produce a better product. However, there is a difference between outsourcing technical fields such as garbage collection, operation and maintenance of facilities, and outsourcing public policy positions, which could, in the long run, work against the government’s interest. Potential issues are the lack of oversight contractors have compared to their government counterparts. But PMF’s can help agencies perform essential tasks that would come under Congressional oversight, if the U.S. government performed controversial tasks.

The U.S. and Great Britain are the biggest users of private contractors. There are a variety of groups who focus on the use of private contractors, for better or for worse, such as the British American Security and Information Council (BASIC), which is based out of London and Washington D.C. and The international Institute for Strategic Studies (IISS) based in London. According to James Jay Carafano, the studies “emphasize the practical requirements for managing contract services.” Great Britain relied on

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4 Ibid., 213.

partnerships between the public and private sectors to help manage and expand its empire.

Britain’s East India Company had its roots in a royal charter issued by Queen Elizabeth in 1600. Granted to a band of businessmen interested in importing spices from Asia, the company developed its own administrative bodies and military forces over the course of the British imperial age, which it used to rule parts of the empire, guarding them from competitors.  

The East India Company expanded and required more troops to help protect its interests as well as conquer areas to pay for the large number of workers it had collected. It was influential to a point that it operated as a pseudo government agency.

According to Elke Krahmann, “In the UK private military contractors not only conduct the majority of military training and maintenance, but also manage all Navy ports and main army garrisons.” Like the U.S., the U.K. has only increased its outsourcing to private contractors, to the point that during the Iraq war there was almost a one to one presence of DOD personnel and civilians.

There is a difference between mercenaries and private contractors, which the Geneva Convention has helped define. According to Elke Krahmann:

The First Additional Protocol to the Geneva Conventions defines mercenaries on the basis of six cumulative characteristics: (1) they are specially recruited locally or abroad in order to fight in an armed conflict; (2) they take a direct part in the hostilities; (3) they are motivated to take part in the hostilities essentially by the desire for private gain and are promised, by or on behalf of a part of the conflict, material compensation substantially in excess of that promised or paid to combatants of similar ranks and functions in the armed forces of that party; (4) they are neither a national of a party to the conflict nor a resident of territory controlled by a party to the conflict; (5) they are not a member of the armed forces

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6 Ibid., 117-118.

7 Krahmann, States, Citizens and the Privatisation of Security, 2.
of a party to the conflict; and (6) they have not been sent by a state which is not a party to the conflict on official duty as a member of its armed forces.\(^8\)

Private corporations are dramatically different because they are legal businesses with a headquarters and a set of operating procedures. Also they have to operate within their home countries’ and the international community legal systems. The success and effectiveness for all private contractors lays in a good reputation. One example of a company that emerged as a poster child for cornering the contracting market was Blackwater. They became entrenched in the US government’s use of contractors, because of their reputation and were often left with little oversight. One consequence was that they participated in activities that led to lawsuits brought on by family members of their own employees who were attacked and killed in Fallujah, Iraq. CACI also came under scrutiny when, “Some of CACI’s employees were implicated in the abuse of inmates at the Iraqi Abu Ghraib prison.”\(^9\) Additionally the British have had similar examples of companies who monopolize contracting bids, “The British government support service company Babcock thus oversees the management, maintenance and repair of the UK’s four Vanguard-class submarines, which carry its Trident nuclear missiles.”\(^10\)

\(^8\) Ibid., 6.

\(^9\) Ibid., 7.

\(^10\) Ibid., 8.
The rise of private companies taking on public sectors dramatically increased at the end of the Cold War when the U.S. and the U.K. notably decreased their defense budgets. Starting in 1989, private companies were supposed to help reduce costs and be able to respond to the new security demands present starting. After the end of the Cold War, the U.S. and the U.K. under-estimated the need for military forces while reducing their budgets. The general consensus was that they could still rely on qualified personnel who went to work for private companies. Their security concerns were of the newly formed Balkan states, “nuclear proliferation among ‘rogue states’ and international terrorism.”11 The U.S. and U.K. were viewed as security leaders throughout the world because they shared a common history and similar outlook on how to address any given issue.

The Cold War caused countries to ramp up the demand for military and security services worldwide. As demand increased, so did the amount of contracts for companies to pursue, thus it provided a stable environment for contractors to establish themselves without fear of losing contracts. On the other hand, the environment today is such that the U.S. is facing a budget dilemma and is looking to the defense industry to potentially cut over $5 billion from their budget.

During the Cold War, the U.S. and U.K. had strong centralized governments to deal with their enemy, the Soviet Union. At the end of the Cold War, a more decentralized and efficient outlook grew popular. British Prime Minister Margaret

11 Ibid., 10.
Thatcher was pro-decentralization and ran on rolling back “the British warfare states.”

Thatcher and her conservative party thought by sending former government tasks into the private sector, more competition would help produce better products more efficiently. As the British government turned work over to the private sector, they maintained a watchful position and control by retaining a share in each industry, so they would have a say. This didn’t give the British government control, but they were able to stay involved. The British Ministry of Defense (MOD) has had experience in this area. “From 1985 the MOD was required to ‘market test’ all catering, cleaning, laundry, security-guarding and minor maintenance services, and the policy was later expanded to engineering, supply, training and operations support.”

Also Britain moved away from cost-plus contracts, where the risk was on the government, and moved to fixed prices where the burden of management was on the contractors. The British government helped the contract transition by opening up the market and allowing international firms to bid and win contracts. As a result, the British government could step back and act as a client. Civil servant positions were reduced by 40% between 1979-1990.

Private firms and their professionals came under pressure to deliver their cost effective and efficient services that they had proclaimed would occur prior to Britain’s shift. The hope of moving support services to the privates sector, allowed the government employees to focus more on their specialties than worry about performing less technical tasks.

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12 Ibid., 73.

13 Ibid., 73-74.

14 Ibid.
Since the 1980’s under Margaret Thatcher’s watch, the UK has led with significant amounts of outsourcing to the private sector. The continuation of outsourcing has helped the government give the same amount of respect to contractors who are providing technical, maintenance and even military soldiering services as they had government employees with similar expertise. The “ideological transformations” within the British government have helped contractors assume more work from the government. The U.K. believes that contractors are “Superior and more cost-efficient than the state and the armed forces…”\textsuperscript{15} Contractors are used, especially in “short-term” security areas of concern, usually following a military engagement in areas such as the former Yugoslavia, Somalia, Afghanistan and Iraq. Contactors have allowed security strategists in the UK to fight more effectively and harder in shorter periods of times. The outsourcing of public roles to the private sector began under PM Thatcher, but this trend continued to increase with her successors, PM Majors and Blair. Unlike the U.S and other countries, the U.K. has not continued to “debate what constitutes the inherent functions of the state and the armed forces, which should not be outsourced to the private sector…”\textsuperscript{16} Under PM John Major two policies were introduced which helped shape the private sector’s role in the government. The first was the Competing for Quality initiative and the second was the Private Finance Initiative (PFI).

According to author Elke Krahmann, there was an initiative taken to improve contracting efficacy, “In 1991 the Competing for Quality white paper revised and

\textsuperscript{15} Ibid., 84.

\textsuperscript{16} Ibid., 86.
expanded Thatcher’s market testing programme, which aimed to improve governmental efficiency by requiring competition between in-house and private bidders for service delivery.”\textsuperscript{17} The white paper presented three classes of services to help eliminate costs and encourage competition. First, it determined sectors of the defense industry where the government should not be involved, but should be privatized. Second, it specifically stated, “services that were unsuitable for government delivery and should be contracted out.”\textsuperscript{18} Finally it detailed which areas should be managed by the government and should be “decentralized.” The Competing for Quality initiative provided numerical benchmarks to agencies and companies to use during their trial periods. The PFI was even more drastic in its requirements, because its goal was to “increase private sector involvement in the provision of public services.”\textsuperscript{19} Essentially the PFI involves budget control under government regulations for the private sector, “It proposes the use of private rather than government capital to finance the design, building and operation of armed forces’ facilities and equipment.”\textsuperscript{20} There were six areas, which could fall under PFI and they are

\textsuperscript{17} Ibid.

\textsuperscript{18} Ibid.

\textsuperscript{19} Ibid., 87.

\textsuperscript{20} Ibid.
“training, equipment, property and accommodation, support services, utilities and IT.”\textsuperscript{21} Two years later there were more than twenty-two contracts signed and worth more than 900 million English Pounds as Elke Krahmann discovered. The British government methodically surveyed functions particularly in the military, which could be turned over to the private sector. The UK differs from the U.S. because they don’t have legal restrictions limiting military functions that can be outsourced. Therefore, they have more ease in this transition.

In 1997 privatization didn’t slow, when there was a switch in party control from the conservative party, represented by PM John Majors, to the Labor party, which was led by PM Tony Blair. Outsourcing continued to increase under the new labor party, which stated that they wanted what was best for the UK, even if it meant the growth of private sector roles in their government functions. PM Blair introduced his “Third Way” initiative, which continued the process of the British government giving more contracts to private firms. The Strategic Defense Review of the New Labor government stated that the private sector had provided efficient savings. Blair’s Third Way moved away from Thatcher’s full competition between the public and private sectors and moved towards a collaborative effort.

As a result of the Blair initiative, “The UK armed forces have become one of the most privatized militaries in Europe and in comparison to North America.”\textsuperscript{22} The size of

\begin{itemize}
\item \textsuperscript{21} Ibid.
\item \textsuperscript{22} Ibid., 90.
\end{itemize}
the outsourcing is substantive, “According to UK Defense Statistics, in 2006-2007 the MOD spent half of its 34 billion pounds defense budget on purchases from the private sector, including 2.8 billion pounds on military support services.”\(^23\) In the UK the government and the private sector have equally embraced outsourcing of government services. Typically the military maintains ownership, or control, over the building or main part of the job while a private company takes over base maintenance, services, or support functions.

The government wants to ensure that they receive a quality product for the price. In order to do so, they encourage constant competition by awarding short contracts, five to seven years, and re-compete the contract at the end of that term. This does not mean that the incumbent will not be awarded the contract again, but the government uses this process to ensure that they don’t miss out on better and cheaper resources. As a result, Prime Contracting has grown increasingly popular. The Prime Contractor is the only company that holds the contract with the government, but they can subcontract parts of projects to other private firms. Therefore, the government directly manages only one company, unless the sub-contractors attract positive or negative attention, which requires the government to have contact with the Prime’s sub-contractors. PM John Majors relied on the Competing for Quality program to determine that 50 percent of the 1.5 billion pounds cost of doing business could be outsourced to reduce spending.\(^24\) This started the momentum for the growth of private contracts in the U.K.

\(^{23}\) Ibid.

\(^{24}\) Ibid., 91.
Initially the contracting world was given areas, such as waste management and facilities support services, which eventually led to more sensitive areas being outsourced. Most of the time when the UK government needs to cut spending, it produces growth in the private sector and the elimination of theses government controlled sectors.

The savings for the government were astronomical, “In 2000 the UK government wanted to reduce spending by 20% which led to areas such as logistics to be outsourced and saved the government an estimated 140 million pounds according to the consulting firm McKinsey.”25 The extent of private contracting increased substantively and in areas never seen before, “As of 2008 private contractors ran all three UK naval bases, including the nuclear submarine base and the naval armament depot.”26 These contracts are expensive. For example, the company Babcock was awarded a contract worth 825 million pounds. They provided government oversight and maintenance for four “vanguard-class submarines which carry the Trident nuclear missiles, and for support services at the naval armament depot until 2013.”27

Outsourcing in the UK is not a free flow of opportunities for private firms. Sometimes they encounter conflict, when it comes to certain areas being privatized. For instance, “The UK government has contracted out the management of its Atomic Weapons Establishment (AWE) at Aldermaston, which is responsible for the design, 

25 Ibid.

26 Ibid.

27 Ibid., 92.
manufacture and support of the UK’s nuclear warheads.”\textsuperscript{28} The contract is managed by the British Nuclear Fuels (BNFL), Serco, and Lockheed Martin, which came under negative scrutiny when it was discovered that their safety records had been falsified by BNFL at the Sellafield nuclear plant.

The government sent inspectors from the Nuclear Installations Inspectorate, who determined that safety was being managed correctly. This led to the first contract with AWE being extended for an additional ten years for a total of 25 years.

Another area of importance is the “defense state programme,”\textsuperscript{29} which started outsourcing large contracts to companies such as Carillion. In 2006 it won a contract worth over 500 million pounds, which gave Carillion oversight of 8,500 buildings. The state refurbishment for the military picked up outsourcing contracts when military families complained about and protested their lack of proper housing. Even though the contracts were awarded to capable businesses, there were still complaints because houses still were seen to be “falling apart.”

Also repair and maintenance have been outsourced in the UK, as it has been in the USA. The UK’s outsourcing of repair and maintenance resulted from the Smart Acquisition Programme, which gave private contractors the full authority to produce, maintain and repair equipment for the UK military. Increasingly logistical support has been dominated by private contractors, especially in non-UK locations, because of the Contract for Logistics Support (CONLOG) with Kellog, Brown, and Root (KBR) as the

\textsuperscript{28} Ibid., 92.

\textsuperscript{29} Ibid.
prime contractor. CONLOG allowed the Permanent Joint Forces Headquarters to request services worth an annual amount of 12 million pounds and up to 50 million pounds if there was an international need for support.\textsuperscript{30}

The UK differs from Europe and the U.S. because it relies on PFI, which is a private-public partnership. In the UK, the private sector has fundraising capabilities in order to start public works contracts that other private firms would have the opportunity to bid. Companies such as Partnerships UK have “replaced the Treasury Departments’ PFI task force.”\textsuperscript{31} This transition to relying on PFI for the UK government has not been a flawless process. Failure has occurred with the “Airfield support Services Project, the armored vehicles training service, the combined aerial target service, the Defense HF Communications service and the Defense stores Management Solution.”\textsuperscript{32} All of these contracts have been cancelled.

Ultimately military training represents a large percentage of private industry’s capabilities. Nearly 28 percent of the contracts were PFI and had a decade’s long contracts as of 2008. Another side effect of using private contractors is that companies can fail to meet government expectations, like what happened on the Joint Services Command and Staff College. The Army foundation college and other companies did not perform to the government’s standards or mismanaged subcontractors, which ultimately provided the government with zero cost savings or performance advantage.

\textsuperscript{30} Ibid., 93-94.

\textsuperscript{31} Ibid., 95.

\textsuperscript{32} Ibid.
The IT areas of contracting are new to the UK and everyone else, because it is one of the newer developed areas. Because the IT departments are only recently present in public arenas and have outsourced PFI contracts, there are inevitable glitches that arise for both the public and private parties. For example, the Armed Forces Personnel Administration awarded a contract to EDS, a company where they managed pay for active employees pensions and more. EDS over spent their budget and consistently were delayed in meeting their contract goals and requirements. EDS’ mishandling of these tasks “threatened payments to 300,000 military personnel and 800,000 pensions.”

Often contractors attract negative attention to themselves when they try to maximize profit by providing minimal amounts of effort to operate a contract. In many cases, contractors’ mismanagement of their budgets, subcontractors and operational duties make them equally, if not more expensive than the government holding onto the contract capabilities. In 2002 the British Chief of Defense Procurement, Sir Robert Walmsley, pushed for a PFI contract for Skynet 5, which is a new generation military satellite operated by Paradigm Secure Communications for the UK ministry of defense. Ultimately Sir Walmsley estimated that by using a PFI contract, it would save the government nearly five percent of the real cost of the contract. Other areas have been less fortunate and receive less encouragement from senior leaders. Many of the contractors have to meet a minimum standard in supply procurement, but often the government benefits from outsourcing, because contracts often utilize the open market to purchase suppliers at a lower cost and greater quality. The UK’s positive use of contractors has

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Ibid., 98.
helped spread the cost of contracts between the public and private sectors, “On the other hand, PFI’s have effectively increased the price of military goods and services due to lengthy contract negotiations and the higher profit margin demanded by commercial financiers.”

The UK has increased its reliance on contractors by awarding long-term 30-year contracts to a single company. As a result, the advantage of competition between companies has been wiped out. Therefore, the government is trying to mitigate risks by forming a stronger relationship with private industry so that they can work more effectively with each other. This evolution is dramatically different then what the Thatcher and Major governments conceptualized. Their vision was that of companies with true specialties being given short and specialized contracts to manage. Contracts are dramatically longer and have less harsh penalties for mismanagement, where in the past financing would have been affected, but now companies just receive warnings. Contractors are encouraged to operate efficiently by using “a share in the gained advantage.” Finally, the armed forces have privatized across all areas of expertise and include at least one contractor in each department.

The U.K. and the U.S. share the same contractor oversight problem. Following the Cold War, many, if not all governments had a reduction in force (RIF) because they were hoping to enter a more peaceful era. At the same time, British and American

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34 Ibid., 100.

governments relied more on private industry without public figures to hold them to their contract duties and to make sure things were competed correctly. The British, more so than the American’s, have trouble with the blurred roles of the public and private servants. Increasingly much of the expertise, even in contract management on behalf of the government, lay in the private sector. Even the percentage of military employed soldiers, versus private soldiers, hired for the same position has helped confuse the responsibility for the government and companies associated. Three events have shaped the UK’s contractual path. First, there was never a discussion defining what areas should be filled with government employees. Second, the British government has not been responsive to soldiers’ needs, even once they are inactive, specifically mental health assistance. According to author Elke Krahmann, mental health services are absent as well as others, “Honour the Covenant campaign by the Royal British League has highlighted missing assistance for professional soldiers in the provision of mental health services, compensation for injury and legal advice.”

Soldiers are increasingly feeling underpaid, overburdened, and lacking support for their sacrifices. Finally related to the progression of contractors for the military is that recruiters are now promoting monetary and personal rewards rather than promoting one’s service or loyalty to their country. The British military tries to combat the negative perceptions and argues that private contract soldiers help military personnel not to be over worked by moving administrative functions to the private sector. From the military’s perspective, soldiers are allowed to focus on more elaborate and technical tasks. As a result of the close working relationships the military

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36 Ibid., 105.
soldiers embrace the presence of contractors and don’t feel competitive with their private counterparts. UK soldiers also benefit from their time in service because their prospect for “better employment” in the private sector increases dramatically. This is a similar trend in the U.S., where there is an influx of government personnel flooding contracting to help win business for companies or to manage contracts for their former employers.

The slowed cost of the government has confused the real cost of defense in the UK. Also the UK suffers from the lengthy contracts that they give to the private sector because if the performance of the contractor proves not to be suitable for the government, it costs more to change contract ownership. Additionally the long contract doesn’t allow for flexibility in the defense budget. The lack of proper contract management for the government has allowed the private sector to go mildly unregulated for a long time. Internal finance audits exposed the gap in contract management, especially in the Defense Logistics Organization (DLO), which was simply under resourced.

The U.S. and the U.K. shared a common leadership in the Iraq and Afghanistan wars. The U.K. had fewer people present though, “During the combat operation in Iraq, the UK armed deployed about 2,000 military contractors to support 46,000 uniformed soldiers.” At one point the presence of UK contractors was greater than the 4,100 soldiers in the field. This brought the UK private contractors in to take control over 30 – 40 percent of foreign UK military operations; “Equipment support” and other

37 Ibid., 201.

38 Ibid.
maintenance activities have been one of the main reasons for the increase. The ongoing engagement has required an extensive investment; “Equipment support has been the largest single budget item in the UK’s intervention in Iraq with about 200 million pounds per year as compared to between 80-120 million pounds for military personnel between 2004 and 2007.”

Specialized items have included many costly advancements, “However, among the most important contracts have been in-theatre upgrade of the British Army’s FV 430 armoured fighting vehicle to desert conditions and the services of Royal Air Force Tornado planes in Iraq by BAE Systems.”

The public sector is often alarmed by the presence of contractors and the amount of work they received, which can lead to strained relationships between both sides. The public and private sectors have accomplished tremendous accomplishments and both have been under heavy criticism from their opponents. Private contractors are not without their complicating factors and histories, but they are also active members of government working and dealing with the same stresses as their public counterparts. Often they are forced to operate under regulations and guidelines different from what they were used to in commercial operations:

Following UK Contractors on Deployed Operations (CONDO) regulations, the staff were placed under military regulations and had to receive basic security training in preparation for their deployment. According to news reports, the contractors worked heroically, ‘only 50 kilometres from the Iraq border, in continuous 12-hours-on-six-hours-off shift pattern’. In recognition of the centrality of private military contractors in contemporary deployed operations and the dangers to which contracted civilians have been exposed, the employees of

39 Ibid., 202.

40 Ibid.
thirty-eight companies have been eligible for the MOD Iraq Medal. The awardees have included fifteen BAE Systems engineers for ‘their work at Basra Airport, often while under rocket and mortar fire.\(^{41}\)

The UK has used a short term contracting approach to their use of private military firms in their Iraq operations. These contractors frequently provided logistical support and quick response activities under the Urgent Operational Requirement contracts. The UK has allowed most of its overseas logistics contracts to be taken by private contractors, excluding those already working on the CONLOG contract. Once again KBR was awarded the logistics contracts for the UK where they have supplied boarding, management for food and facilities, translators, and medical coverage for thousands of employees, soldiers, and subcontracting firms. According to the author Elke Krahmann, KBR has provided the standard contracting services, “Moreover, in order to facilitate coordination between KBR and the military, a contractor team embedded in the Permanent Joint Headquarters has been involved in the planning and decision-making for international operations.”\(^{42}\)

The Geneva Convention offers different justifications for military activities. This all affects how contractors can exist in global activities. Self-defense for a private contractor can be considered misconduct, even if they truly are acting in self-defense. The U.S.’ and U.K.’s legal codes are not fully developed to deal with these issues as the line between soldier and contractor is increasingly unclear. Also it highlights how some

\(^{41}\) Ibid., 203.

\(^{42}\) Ibid., 204.
positions might be inherently government roles. The legal system can help support military activities clearer than private contractors, such as “In contemporary international interventions, however, questions over the applicability of national and international laws, the responsibility to prosecute and gaps in existing regulations have hampered the legislative control over private military contractors.”\(^{43}\) The British government created the CONDO regulations to help clarify and manage contractors, especially in overseas activities. The CONDO regulations were meant to “help clarify the conditions for employment of contractors in overseas bases.”\(^{44}\) Even with these formal regulations, the legal system has not been developed enough to deal with contractors engaged in foreign conflict zones. Other government entities engaging in contracting roles were not anticipated, therefore; “A key and continuing limitation has been that CONDO only applies to contractors directly employed by the armed forces, discounting subcontractors or private security guards working for other UK government agencies such as the Foreign Office.”\(^{45}\)

\(^{43}\) Ibid., 228.

\(^{44}\) Ibid.

\(^{45}\) Ibid., 229.
CHAPTER 4

CASE STUDY 2: ISRAEL

There are many private contractors based in Israel who support private activities throughout the Middle East. Specifically, Levdan, Ango-Segu ltd., Silver Shadows and many more.

Saudi Arabia, like almost every other country in the world, relies on PMF’s. The American firm Vinnell, who also protects key locations throughout the country, trains their National Guard. They had an estimated 1,400 employees based in Saudi Arabia and many were former U.S. Special Forces operators and their contract was worth over $800 million.

Similar to the United States and Great Britain, Israel has experienced a growth in defense contracting over the past three decades. The Israeli defense contracting industry has grown into different sectors. Industries moved from logistical and weaponry to more software and information technology (IT) fields. The Gloria Research Center in 2001 described the growth of Israeli defense contracting as a progressive experience, “The circumstances that led to Israel’s establishment, its constant struggle for survival and disappointments with foreign suppliers dictated the development of Israeli domestic arms’ manufacturing capabilities.”¹

During the 1960’s and 1970’s Israel grew increasingly wary about being mostly reliant on foreign military aid to help boost their defense industry and started the movement toward a more self sufficient and productive country. This was difficult because Israel borrowed technologies and advancements from countries like the U.S and France. It had to tread lightly on how much borrowed technology and reverse engineering they relied upon, which ultimately, gave the U.S. pause for concern, because the U.S. didn’t want sensitive information and technological advancements leaked to any other countries or enemy groups. International developments and safety concerns precipitated Israel’s reliance on contractors and their progression, “Frequent rejections of Israel’s requests for both weapons and technologies, recurrent arms sanctions and the intensified rearmament of Arab nations during the 1960s convinced the Israeli leadership to embark upon the development of a broadly based indigenous arms production capability.”

Israel also borrowed liberally from France and technologies they lent or sold. Israel engineered a fighter jet called the Kfir based off of the French Dessault design, for the Israeli Air Force (IAF). Prior to the development of the Kfir, Israel had ordered 50 Mirage 5 fighter jets, which were adaptations of the Mirage III, but was less efficient in inclement weather. Israel created the Kfir following an arms embargo placed on Israel by France after the outbreak of the Six Day War. Prior to the arms embargo, France was preparing to provide “50 new-build Dassault Mirage 5Js.”

2 Ibid.

similarities to the French made jet Dassault Mirage III and was “stocked with Israeli avionics and a myriad of airframe changes to differentiate the new aircraft from her French-based origins.” Increasingly Israel’s liberal borrowing from its allies fed untrusting relationships that are to this day monitored closely by the various governments. The U.S. has often taken issue with Israel’s outsourced technologies or materials that mirror U.S. military capabilities. This is especially concerning since as of 2012; Israel is one of the top six arms exporters and the second “in the world in sales of unmanned aerial vehicles, behind just the U.S.”

The development of the defense contracting industry in Israel served multiple purposes for the country. First, Israel was less susceptible and felt a smaller impact to arms embargos and trade restrictions. Israel gained greater freedom from international restriction by allies through developing their own technologies. Historically countries like the U.S. have threatened retaliation, if the Israeli government pursued arms sales with enemies of the U.S. Second, the Israeli economy grew more diverse and robust because greater local employment was available. Finally, the profits Israel made from arm sales to foreign countries helped offset the Israeli debt and would continue to grow their economy. As this process has developed in Israel, the U.S. has threatened to reduce military aid and its support of the country on a variety of issues. Israel has pursued nontraditional methods to develop Israeli technologies, which often stems from reverse

4 Ibid.

engineering of systems they were exposed to by countries like the U.S. and France. Some of the techniques included according to Sharon Sadeh:

A mixture of imported technology and Israeli innovation boosted the growth of the defense industry. The industry evolved through several stages, starting with small arms production and maintenance of more complex weapons, followed by licensed production and joint ventures, adoption and upgrading of licensed systems, and local production and design of components.  

Countries like the U.S. and France fear Israel will reverse-engineer a product and try to sell it to outside groups and governments, which could compromise sensitive equipment and technologies. Most recently arms sales from Israel to India and China have dramatically increased. In these scenarios, the U.S. has successfully flexed its power and proven to be willing to be less supportive of Israel, which is always looking for more arms, technologies, aid, and international support.

As mentioned above, Israel wants to be increasingly independent but doesn’t have all of the funds or technologies to fully reach this goal. Also they are very concerned about their national security. The Israeli government is willing to supply various international governments with weapons and technology, but they are increasingly particular about who they will purchase from, a requirement which is mostly filled by American companies. Israel’s security concern’s have grown and deepened over the past 30 years, particularly following major events such as the end of the Cold War. After the peace accords were signed with Egypt in 1979, the U.S. reaffirmed its support for Israel and was able to build a strong international relationship. Security remained at the core of

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all government concerns and defense developments. Israel’s security concerns deepened as international politics increasingly grew divisive and terror related events continue to plague the Middle East, particularly Israel. An Israeli defense industry sprouted as the government struggled to react to events and manage their relationships with allies and enemies.

As the Cold War came to a close, Israel experienced a downturn in their economy, as well as, reduced arms and manufacturing requests that had been boosting their economy and employment. By 1990, many labor unions had moved into the Israeli defense-contracting sector and through a series of negotiations and settlements helped boost state owned sectors to match the benefits of those working in the private sector. The cost of maintaining pay and benefits for the state owned entities grew as demand for their services declined. The industry suffered a massive reduction in force, “Israel’s state-owned defense industries were forced to undertake massive layoffs—from 43,700 in 1985 to about 23,000 in 1997—a phase that was protracted and confrontational.” There was a robust defense industry inside the country that worked towards making Israel increasingly more self-sufficient and less reliant on aid from countries like the U.S. and France. After the downturn in the economy and fewer outsourced materials, the IDF returned to their original strategy, which was to purchase basic supplies like uniforms from the U.S. and not produce these items domestically, because it would cost less to import these items.

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7 Ibid.
As the Israeli public sector reduced size, the private sector reacted by growing into new areas they previously had not pursued. Businesses mostly concentrated on growing into research and development of software and a variety of specialized electronics. The growth of Israeli businesses into new service sectors not only changed the economic outlook for Israel, but it also created a new trend of middle-aged workers flooding the new market. The average age of Israeli’s entering the new work sectors increased, “The average age of scientists in the state-owned industry reached 47, and the attrition rate of young scientists continued to escalate.”

The defense industry may have reduced in size, but it is far from being extinct. There are an estimated 150 defense contractors still in the support services to the government of Israel’s market. Many of these companies continue to provide essential services that have been incorporated into the standard operating procedures of the government, which is not willing to reduce the presence of particular companies for fear of making the Israeli defense system vulnerable. In fact more rules and regulations have been developed to help guide the Ministry of Defense perform its bidding process, in order to eliminate preferential treatment of purely state owned companies. One of the recent laws passed is called the Compulsory Tender Law. According to Sharon Sadeh:

That required the Ministry of Defense (and all other governmental branches) to introduce competition into the bidding process of services and products. This has effectively ended the Ministry of Defense’s preferential disposition toward state-owned firms, while posing it with serious conflict of interests (as proprietor, client and regulator at the same time).

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8 Ibid.

9 Ibid.
For the first time in Israel’s history, private industry was given a fair chance to not be competing with state owned and preferred companies. Similar to the U.S. and Great Britain, Israeli and some international firms were invited to compete for government projects and proved to be more efficient and quick to respond to requests from their clients. The new bidding process has been flawed and often has led to conflicts between firms bidding on the same contract. Therefore, private Israeli firms negated their benefits to the government, which in turn looked to foreign firms to successfully complete projects because they seemed less complicated in comparison to local Israeli companies. Israel may be holding domestic companies to an unrealistic standard because the government itself doesn’t have clear guidelines established and Israeli companies for the first time are operating in a growing bureaucracy that is imperfect.

National security has been a key issue and continues to be the most important domestic concern for Israel. The growth of security firms started prior to the official establishment of the Israeli state in 1948. Small arms producers supported internal indigenous groups who were protecting their land, areas of interest, and their local communities. The small-scale arms production eventually grew into a thriving industry where both civilian and military personnel worked together to protect national interests. For instance the Israeli company Rafael, which specializes in the production of weapons, is technically partially owned by the Ministry of Defense. Since 1994 it has been in talks with the Israeli government to move towards being a completely private owned firm. Blame for the lack of true privatization of firms like Rafael has been placed firmly on the local labor unions, which were perceived as being uncompromising and unwilling to
work with the private sector, and seemingly offered less benefits or job security. The government of Israel is partially at fault because they have insisted on the need to create guidelines and comprehensive laws protecting national security interests. In reality, the Israeli government has not made strong attempts to follow through on developing and passing laws that will help prevent sensitive governmental information from being leaked out of the appropriate areas.

As Oren Barak and Gabriel Sheffer point out in their book, “Militarism and Israeli Society,” Israeli political theorists concluded that the Israel Defense Forces (IDF) have continued to rely on the civilian sector “for material resources and manpower, especially for its continuation, enlargement, and maintenance of reserve components.”

There is an unspoken but universally understood operating procedure, where Israeli military forces, Special Forces and intelligence officers operate on the periphery of day-to-day national security interests, trying to be ahead of attacks or issues that need to be addressed. Meanwhile the physical protection of every Israel citizen is the ultimate goal for the government. Both areas of security concern have created the need for different types of defense firms, groups, and institutions that are private and publically funded. The Iron Dome and the Arrow 3, secretive projects, have been created to help combat attacks by hostile Palestinian groups that use a variety of missiles to strike communities inside Israeli territory. The Iron Dome, which is partially funded by the U.S. and Israel jointly, is deployed in areas under increased threat and is capable of intercepting ground missiles and weapons commonly used by Palestinian groups.

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10 Oren Barak and Gabriel Sheffer Editors, Militarism and Israeli Society (Bloomington Indiana: Indian University Press, 2010), 16.
Most recently an Iron Dome instrument was placed in the town of the Port of Eilat bordering the Red Sea and Egypt. Reportedly there were increased accounts by local residents of missile strikes or blasts, for which the Islamist group Ansar Beit el-Maqdes claimed responsibility. According to Gili Cohen in her article for the Haaretz news organization, the “Iron Dome batteries are stationed at different sites across the country at different times based on national security risk assessments, ... It added that at present one of the missile-defense batteries was stationed in Eilat.” As a result disaster response teams are prepared to deal with the aftermath of any deadly attacks. As Consuella Pockett states in her article titled, United States and Israeli Homeland Security: A Comparative Analysis of Emergency Preparedness Efforts:

Disaster rescue teams, including special security elements, police crowd control and forensic units, bomb dispersal experts, ‘body handlers’ and paramedics, who usually arrive only minutes after an attack, are responsible for responding to terrorist attacks. Israel’s civil defense doctrine is ‘based on a series of concentric circles of increasing protection, with the individual citizen at the center.12

Also National Israeli media is seen as a contributor to the protection and safety of Israeli citizens, because media outlets are expected to deliver information in a timely manner and be used as a tool to explain how citizens should handle threats and expectations.

Israel allowed the growth of defense contracting firms for a variety of reasons, mainly because Israel is a high threat location, which is vulnerable and surrounded by


hostile governments. Public and private forces are all needed to prevent, react, respond and manage domestic crises. As mentioned earlier, the Iron Dome anti-missile device is one example of a public/private collaboration, which prevents rudimentary missiles from entering Israeli air space, but there are a series of groups prepared to respond to such an attack. Support for the protection of national security is easily found amongst most Israelis, since everyone lives under the same threats. Equally they are expected to serve in the Israel military, unless there are religious, marital, educational and other exemptions.

Historically Israel has relied on international military aid to help support their defense strategies and projects. Originally the French government provided the most aid to Israel. They had contributed military assistance for the two decades following Israel’s establishment in 1948 until the Six Day War, when Israel attacked Egypt forcing France to place an arms embargo on Israel. The relationship between France and Israel grew strained and led to the U.S. filling the role as primary military aid provider. Ever since 1967, the U.S. has dramatically increased its financial support for defense spending to Israel. Israel is one of the U.S.’ key allies in the Middle East with this relationship growing closer over the past three decades. As a result the U.S. has used aid as a negotiating tool, especially when it comes to the ongoing conflict with the Palestinians. The aid sent by the U.S. has supported Israel’s defense capabilities, since hostile neighbors surround them. Israel’s success and stability is key to the U.S., which wants to protect the state while retaining influence in the region, because Israel is one of the few democracies present in the Middle East. According to the Jeremy Sharp from the
Congressional Research Service, “To date, the United States has provided Israel $118 billion (current, or non-inflation-adjusted, dollars) in bilateral assistance. Almost all U.S. bilateral aid to Israel is in the form of military assistance, although in the past Israel also received significant economic assistance.”\(^{13}\) Also Israel receives their aid from the U.S. in one payment, usually within the first 30 days of the new fiscal year, unlike other U.S. aid recipients who receive their payments over the course of the year. Israel benefits from the special attention the U.S. provides, but also they are impacted negatively if the U.S. doesn’t simply provide the support desired or if the assistance is limited by developments like the current economic situation plaguing almost every country. The government of Israel acknowledges that they may be negatively impacted by the budget cuts in the U.S. government and that their aid or funding of programs may receive less support. However, the U.S. government has gone out of its way to ease Israel’s fear of less funding. Jeremy Sharp states:

> During his March 2013 visit to Israel, President Obama pledged that the United States would continue to provide Israel with multi-year commitments of military aid subject to the approval of Congress. P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013 (informally referred to as the full-year Continuing Resolution or CR) provides the full FY2013 Administration request for Israel of $3.1 billion in FMF, of which Israel is permitted $815.3 million in Off-Shore Procurement. The Act also provides for $479.736 million in joint U.S.-Israeli missile defense programs, including $211 million for Iron Dome, $149.679 million for David’s Sling, $74.692 million for Arrow III, and $44.365 million for Arrow II.\(^{14}\)


\(^{14}\) Ibid.
Ultimately Israel’s constant pursuit of self-reliance will help boost their economy and assist in easing the fear of international aid arriving in inadequate amounts. Recent natural gas discoveries in Israel have cemented domestic hopes for strengthening their economy. Currently the offshore natural gas discovery in the Tamar gas field on the Mediterranean has given Israel hope for being increasingly self-sufficient. The gas was discovered in 2010. In January 2013 an American company, Noble Energy, partnered with the Israeli firm, Delek, to pump gas from the new field. Over the past two years, it was unclear as to how much of the fuel would be kept for Israeli’s domestic use and how much would be sold to neighbors such as Turkey, Jordan and potentially Egypt.

According to the Financial Times, “Gas from the Tamar field, which for now supplies only the Israeli market, is due to contribute nearly one percentage point to the country’s GDP growth this year.”15 This has greatly increased Israel’s GDP, which is anticipated to grow another one percent, as a result of Prime Minister Netanyahu and his government’s decision to retain 60 percent of the fuel for strictly Israeli use. Therefore, they are increasingly taking steps to be more stable and have a productive domestic market. This finding gained attention from international businesses interested in winning contracts supporting Israel’s natural gas discoveries. It is not a coincidence that an American firm is working alongside an Israeli company.

In conclusion, Israel’s defense industry has grown dramatically over the past six decades and continues to develop into a dynamic environment. Israel has not been as proactive as the U.S. or Great Britain in establishing rules and regulations to help clearly guide businesses operating in historically government arena. This would be useful for the government of Israel, especially since they have state owned companies working closely with privately owned firms. It has been perceived that the government favored its own companies unfairly over qualified privately owned businesses. The government of Israel will prevent infighting and false accusations, if they are increasingly working towards a formalized bidding process that would allow all types of companies to fairly compete on bids without fear of preferential treatment. Until this process develops, the defense industry in Israel will be unstable and less successful. They are part of the top six exporters in arms and they sell their products to a variety of customers and countries, which helps diversify their market. Ultimately Israel could be more self-reliant, if they found a way to be as successful as they are in exports and keeping their military tools for internal use as well.
CHAPTER 5

CONCLUSION

The United States, Great Britain, and Israel have all experienced tremendous growth in their defense contracting involvement. The United States and Great Britain have a comparatively similar trajectory for a variety of reasons. One of the most important shared tenets between the U.S. and Great Britain is that they are both based in English common law principles. Their legal systems share the same roots and ideologies, which means they have similar views on contracts and contractual matters. Both countries view contractual agreements as the highest form of commitment and cannot be broken, at least not without navigating the legal process. The commitment to contracts by both governments has helped establish a strong relationship with the private sector in their respective countries. Private companies view government work as a low-risk area of work, because both parties understand the contract they enter and the ramifications of either side not holding to the agreement.

Alternatively, Israel has a shorter contracting history and, therefore; has a less prominent relationship developed throughout their defense contracting industry. Only recently has the government of Israel recognized the need and importance for establishing a formal contracting process with rules and regulations. Until the last decade, business deals were formed and executed through personal relationships, and often lacked a clear contracting path for the firm to work within. The government of Israel has acknowledged
the need for a formalized contractual process and is working at a slower pace than the U.S. and Great Britain to finalize their process. Simultaneously, Israel has allowed increased numbers of foreign firms, like Raytheon, to bid on defense contracts. Israel has experienced a learning curve in opening their contracts up to foreign firms. Once Israel invited foreign owned companies into their defense-contracting environment, they realized they no longer could completely control the process and the information surrounding each contract. A specific example was when a detailed description of construction plans to house the missile defense system, the Arrow 3, was released on the U.S. RFP release website, FedBizOps. Israel was irate that top-secret information was released to the general public on contract particulars revealing highly sensitive information around the Arrow 3 project. As a result the potential to mitigate incoming missile attacks was compromised. The U.S. is required to release all contracting information to the general public to ensure open and fair competition, while Israel typically invites specific companies to bid on contracts and provides a limited amount of information, even after they have selected a firm.

The government of Israel often invests and owns many of the “private firms” operating in their defense world. There are obvious advantages to working with state owned firms on domestic projects, but as they try to evolve their contracting process more issues, similar to the Arrow 3, will come to light. Israel’s success in outsourcing to the private sector, using Israeli and foreign firms, will depend on their ability to establish a process and determine who they will work with on future projects. The government has to decide if they can tolerate opening their markets up for outside bidders, who adhere to
different processes, which could involve publishing sensitive materials that the Israeli
government would rather keep secret. Also the Israeli government will have to realize
that countries, like the U.S., have the same security concerns, yet have more experience
in outsourcing to the private sector while adhering to a formalized bidding process.

Ultimately, the U.S. and Great Britain have had great success in their abilities to
outsource to areas of their respective public sectors. The U.S. has experienced a slower
growth in privatization, because different periods in American political history have
determined the speed at which the public sector has outsourced. Great Britain has had a
more continuous growth into privatizing areas of their government, even when the
opposing Conservative and Labor parties were in office. Conservative PM Thatcher and
President Ronald Reagan both agreed on the need to reduce the size of the government by
utilizing private companies in order to fill in the workload gap. Actually PM Thatcher
was able to push her agenda through the British system and managed to continue this
growth under PM John Major and PM Tony Blair. Growth in the U.S. contracting process
did not gain full momentum until President Bill Clinton and Vice President Al Gore made
it a priority. The Clinton administration went as far as to say that the A-76 process was
helpful, but could be improved or reworked to help speed up the contracting process and
increase government efficiency and cost savings.

All three countries have their own unique experiences with defense contracting.
The Cold War provided a platform for growth in the private sector, which helped boost
defense capabilities. Following 1990 when the Cold War was resolved, defense firms
were once again viewed as the answer to filling in the knowledge and performance gap,
once the respective governments reduced the size of their public sector’s workforces through RIF’s. It wasn’t until September 11, 2001 that private firms experienced a robust growth and access to countless projects supporting national defense strategies. As the U.S., Great Britain and Israel worked to determine the nature of the terrorist attacks and adjust their defense strategies, private firms filled with experienced military and Intelligence Community professionals worked tirelessly to win contracts supporting all agencies. The wars in Afghanistan and Iraq were quick moving and surrounded by controversy. Also they were ill planned, therefore; firms were awarded contracts that lacked a clear expectation on behalf of the government, and firms had yet to develop quality assurance programs to ensure that they were working within the bounds of their contracts. The lack of experience between the Federal government and the private sector often led to contentious and embarrassing situations both at home and abroad.

During the wars in Afghanistan and Iraq, the U.S. government lacked qualified contract managers, who were not capable of understanding their contracts, managing firms, and holding them accountable for performances on their programs. This lack of experience damaged the contracting industry and helped lead to contentious relationships with a variety of businesses. Alternatively, businesses lacked strong and experienced leadership that would help them manage their contracts properly. Additionally the lack of good management led to embarrassing situations, such as the prisoner abuse scandal in the Abu Ghraib prison and the practice of hiring unqualified personnel to perform very technical tasks. The combination of a lack of experience and a lack of understanding their contracts, for both the government and private firms, helped create untrusting
relationships between the private and public sector. President George Bush hoped to increase privatization by working with select companies, which would build long and trusting relationships with government agencies. Instead, the relationships forged between both sides under his watch often led to bad publicity and accusations of nepotism. President Obama came into office pushing for change and increased scrutiny of various programs, but has found this process to be overshadowed by the inability of Congress to agree to a budget. As a result, the American political system has failed both the Government and private companies working in defense contracting. Many critics of defense contractors view their presence in the public space as inappropriate and inefficient. They are allowed their opinions, but the blame cannot be focused simply on businesses winning work from the government. Also critics of the U.S. government contracting process lack the understanding of the why and the how defense firms can be useful to the public sector. Many high-end firms, such as Lockheed Martin and Boeing, tirelessly work towards new products and capabilities at their own expense to hopefully sell these items to the government. The government benefits greatly from this competitive process, because they often are equipped with the latest technology without having to invest in the research and development of the products. It would cost the government more to manage the development of new technologies from inception to implementation. Therefore, both the private and public sectors are greatly flawed institutions. They have experienced great successes and embarrassing failures. That being said, both are essential to the success of the U.S., Great Britain and Israel. No country has
perfected their contracting process, but over time, issues and problems will hopefully be resolved and lead the various countries towards greater capabilities.

These three major Western military powers are leading the way in the use of contractors and it is important that they each develop clear rules delineating the duties of contractors and professional military and government personnel. Failing this, they will continue to be subject to financial and organizational problems that could undermine the benefits of these relationships.
BIBLIOGRAPHY


