

**AY 2012-2013**

**(31 December 2014 update as Faculty at the United States Army War College, Carlisle Barracks)**

**Optimizing Defense Utilization of Contract Services to Mitigate the Threat of a Hollow Force**

**Private Sector Support to Operations (PSSO) Industry Study  
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The views expressed in this paper are those of the author and do not reflect the official policy or position of the National Defense University, the Department of Defense or the U.S. Government.

As outlined in the President's National Security Strategy (NSS), the United States (U.S.) government faces the challenge of maintaining a military force capable of supporting a rebalance toward the Asia-Pacific while simultaneously addressing emerging threats from Iran and North Korea, maintaining stability in the Middle East and countering transnational space, cyber, terrorism, proliferation, and ballistic missile threats.<sup>1</sup> Additionally, it seeks to maintain allies' and partners' confidence in existing U.S. security assurances and its ability to continue leading on the global stage. The reality of sequestration and declining defense budgets has complicated this challenge, prompting Secretary of Defense Chuck Hagel, in March of 2013, to direct a comprehensive review of U.S. defense strategy to ensure debt-driven sequestration-level cuts do not lead to a hollowing of the force.<sup>2</sup> The resulting Strategic Choices Management Review (SCMR) validated the hollow-force threat, highlighting the difficulty in determining how much organic military capability and force structure can be retained and funded to sufficient readiness levels. If the answer proves insufficient to fully support the defense strategy, the Department of Defense (DoD) could explore replacing more traditional military operational capability and force structure with cheaper contract-services alternatives from the Private Sector Support to Operations (PSSO) industry to fill the gap.

This paper will clarify what is really meant by "hollow force"; examine DoD's efforts to improve management and oversight of contract services<sup>3</sup> to see if it is ready to expand PSSO industry utilization to mitigate the threat; and explore new ways to prioritize and utilize contract services as alternatives to military capability. It will conclude with recommendations to optimize use of contract services to sustain a U.S. defense strategy capable of supporting NSS objectives.

## **Background**

### ***Understanding the "Hollow Force" Threat***

The term "hollow force", in this context, means "giving the appearance of readiness when, in fact, the capability is not there."<sup>4</sup> In a 3 April 2013 televised speech to the National Defense University, Secretary Hagel indicated that in recent years, defense budget reductions, coupled with efforts to replace aging air and surface fleets, sacrificed readiness for procurement. With sequestration, the operations and maintenance (O&M) funds that fund readiness are again targeted to be cut, which could exacerbate the readiness problem. Therefore, DoD must find cost savings elsewhere to help fund readiness, which is why Secretary Hagel directed the comprehensive defense strategy review.

Completed in August of 2013, the SCMR revealed, according to Deputy Defense Secretary Ash Carter, that "cuts in combat power, force structure, readiness and investment will be necessary in all three [...] budget scenarios [i.e., full sequestration, implementing the President's proposed 2014 budget, and a middle ground between the two]."<sup>5</sup> In November of 2013, the Undersecretary of Defense for Acquisition, Technology and Logistics (USD AT&L), Frank Kendall, reiterated "Budget cuts imposed by sequestration will leave the Defense Department with a hollow force and debilitating shortfalls."<sup>6</sup> Subsequently, the 2014 Quadrennial Defense Review stated, "to sustain a healthy, ready, and modern force into the future, it is essential that requested savings from Base Realignment and Closure (BRAC), compensation, health care, and other efficiencies be approved"<sup>7</sup>, which to date, Congress has been loath to do.<sup>8</sup>

Given this realization, the hollow-force threat still looms, necessitating new alternatives to mitigate it. One possibility is to explore cheaper ways to execute traditionally military core capability, like leveraging more contract services provided by the PSSO industry and fewer

expensive (in time, money, and attendant force structure) platform procurements. However, some may argue that DoD is not ready to expand its use of contract services due to its poor management and oversight track record in Iraq and Afghanistan over the last 12 years.

Many in Congress have long shared this perspective. As a result, in 2008, Congress mandated in Title 10, U.S. Code, Section 2330a, that DoD create a department-wide, contract-services inventory “to facilitate the DOD’s strategic workforce planning, workforce mix, budget decision-making processes, and contract execution and oversight.”<sup>9</sup> Though DoD complied with this mandate, it has yet to achieve a common department-wide data system<sup>10</sup>, that ensures a complete and accurate contract-services inventory.<sup>11</sup> Dissatisfied with the accuracy of DoD’s contract-services inventory and its overall pace with respect to this process-improvement initiative, Congress used the Fiscal Year 2015 National Defense Authorization Act (NDAA) to extend a cap on DoD contract-services spending at Fiscal Year (FY) 2010 levels for another year.<sup>12</sup>

Though Congress will not currently entertain the idea of DoD expanding its use of contract services, it is important to recognize that DoD has made significant progress in improving management, oversight, and fiscally responsible utilization of contract services. Its challenge now is to continue these process improvements, but re-prioritize its efforts to satisfy Congress and re-open the spending-cap discussion before the hollow-force threat becomes reality.

### ***DoD Efforts to Improve Contract Services Management, Oversight, and Utilization***

In much of the last decade, the bulk of DoD’s efforts to get a better handle on management, oversight and utilization of contract services focused in the area of operational contract support (OCS)<sup>13</sup>, albeit in a reactionary and ad hoc manner as the number of contractors in Iraq and Afghanistan expanded at an unprecedented rate. However, various Government Accountability Office (GAO) reports and the 2007 Gansler Commission Report,<sup>14</sup> citing extensive problems with U.S. Army expeditionary contracting, prompted a more rigorous focus DoD-wide. Since 2007, the DoD has put considerable effort into institutionalizing and operationalizing contract support and contract services. It has laid the foundation for many improvements in OCS management, oversight, and utilization for the Army and other Services.

In their 12 September 2012 testimony before the House Armed Services Committee (HASC) on OCS, the Assistant Secretary of Defense for Logistics and Materiel Readiness, Mr. Alan F. Estevez, and the Vice Director for Logistics, Joint Staff, Brigadier General Craig Crenshaw, provided a detailed summary of OCS process improvements, beginning with OCS-related responsibilities of senior DoD leadership:

Pursuant to Section 854 of the Fiscal Year (FY) 2007 National Defense Authorization Act (NDAA) (10 US Code 2333), the [...] USD(AT&L) and the Service Acquisition Chiefs in consultation with the Chairman of the Joint Chiefs of Staff, designated senior leaders with the responsibility to administer the joint policies for contingency contracting and to focus the OCS efforts. Additionally, the Office of the Deputy Assistant Secretary of Defense for Program Support (DASD(PS)) was created under the Assistant Secretary of Defense for Logistics and Materiel Readiness (ASD(L&MR)) and the Joint Staff Director of Logistics was assigned responsibility as the Joint Staff focal point for OCS.<sup>15</sup>

According to Secretary Hernandez, the Joint Staff (J-4) published Joint Publication (JP) 4-10, *Operational Contract Support*, in 2008 to provide “doctrine for planning, conducting, and assessing OCS integration and contractor management functions in support of joint operations.”<sup>16</sup>

It provided the military services their first common frame of reference for viewing OCS as a way of accomplishing military tasks.<sup>17</sup> JP 4-10 still serves this function with its latest July 2014 update.<sup>18</sup>

Assistant Secretary Hernandez also testified, “In 2009, OSD [Office of the Secretary of Defense] established the Joint Contingency Acquisition Support Office (JCASO) to serve as an on-call joint enabling capability providing OCS coordination and integration during peacetime and contingency operations.”<sup>19</sup> JCASO’s charter is to participate in operations, exercises and experiments; collect and analyze lessons learned; and incorporate lessons learned into plans for future operations.<sup>20</sup> JCASO planners are now embedded in each geographic combatant command staff, U.S. Special Operations Command (USSOCOM), and the Joint Staff (J7) to enable OCS planning, integration and synchronization efforts and incorporate lessons learned into strategic planning guidance, policy, and joint doctrine governing the strategic and operational levels of war.<sup>21</sup> To ensure the combatant commands and service components have the necessary manpower for this effort, the Joint Staff (J-4) continues to work with OSD to conduct a comprehensive OCS manning review to determine appropriate staffing levels.<sup>22</sup>

In March 2010, the USD AT&L created the OCS Functional Capabilities Integration Board (FCIB) to address a wide range of issues related to OCS employment in current and future contingency operations, providing strategic leadership for the myriad OCS stakeholders as well as analysis and implementation of commission recommendations and Congressional mandates.<sup>23</sup> Since then, the OCS FCIB updated its charter to include, among other things, integrating OCS FCIB initiatives and processes into decision-making fora within the Joint Capabilities Integration and Developments System (JCIDS), Defense Acquisition System (DAS), and Planning Programming Budgeting and Execution System (PPBE).<sup>24</sup> It is currently executing its FY14-17 OCS Action Plan<sup>25</sup> to continue institutionalizing OCS within DoD.

Also starting in 2010, DoD developed a strategic framework to unify department efforts to tackle OCS shortfalls in “organization; policy and doctrine; personnel; training and education; integrated planning; and contractor accountability and visibility” according to Assistant Secretary Hernandez.<sup>26</sup> Since its July 2011 approval of the OCS Integrated Capabilities Document, the Joint Requirements Oversight Council (JROC) has continued to formally track the progress of OCS integration into all relevant supporting documents.<sup>27</sup>

In June 2010, due to certainty that future operations would continue to depend heavily on contract services, the Joint Staff (J-4) initiated the *OCS Joint Concept*. According to Assistant Secretary Hernandez, this initiative:

[...] capitalizes on the current initiatives to institutionalize OCS and transform it to a capability appropriate for the future operating environment. [...] outlines a framework for integrating and synchronizing OCS capabilities across the range of military operations to increase the Joint Force Commander’s freedom of action, while improving the responsiveness and accountability of contracted support.<sup>28</sup>

The *OCS Joint Concept* has since been approved by the JROC and was published in October 2013.<sup>29</sup> The Secretary of Defense and Chairman of the Joint Chiefs of Staff fully supported this concept and approved inclusion of directive OCS planning guidance in the *Guidance for Employment of the Force* (GEF) and the *Joint Strategic Capabilities Plan*.<sup>30</sup> Assistant Secretary Hernandez’ 12 September 2012 testimony to the HASC clarifies why:

Through strategic planning guidance, the Secretary of Defense and CJCS have directed the

Department components to plan for OCS at the same level of fidelity as they plan for military forces. This is a fundamental change to the Joint Operational Planning Process (JOPP). Combatant Commanders are now directed to *consider and plan for contracted support in all phases across the spectrum of military operations*. Further, strategic guidance has established minimum elements of OCS planning information to be included in operations & contingency plans. Additionally, the Joint Staff (J-4) is in the process of finalizing OCS planning instructions and templates for CJCS manuals to provide Combatant Commands and Service component staffs minimum requirements for OCS in deliberate and crisis action planning.<sup>31</sup>

J-4 continues to work diligently in its various efforts to create processes that optimize consideration, integration, synchronization, tracking, and support of contract services capabilities in the planning process.<sup>32</sup> J-4 is in the process of creating commercial “contract services” Unit Type Codes (UTC) within the formerly military-only Time-Phased Force Deployment Data (TPFDD) database resident in the Joint Operational Planning and Execution System (JOPES) to better plan for and track DoD military departments’ requirements for, and utilization of, contract services capabilities.<sup>33</sup> According to the Deputy Division Chief, OCS and Services Division of the J-4, Mr. Lee Tate, there are now over 170 OCS UTCs available in JOPES.<sup>34</sup> Contract service capabilities can now be identified in operations plans and tracked in the phasing and force deployment process. The database will eventually be able to provide data on which contract services are used the most, in what context, and for what type of contingency, enabling a more holistic view of how DoD is utilizing contract service capabilities for contingencies. Once robust enough, the database could provide insight into what capabilities are lacking or overlapping with existing military capabilities. If those military capabilities face reduction or extinction, the database may reveal commercial UTCs that can fill the capability gap.

These ongoing OCS process improvements, coupled with Congress’ desired DoD-wide common data system<sup>35</sup> and USD AT&L’s Better Buying Power initiatives (1.0<sup>36</sup>, 2.0<sup>37</sup>, 3.0<sup>38</sup>) to improve procurement decisions, fiscal efficiency and taxpayer/warfighter value, will enable DoD to more efficiently and effectively leverage contract services and manage associated costs. As these initiatives are institutionalized and uniformly practiced throughout DoD, the stage will become better set to focus on optimizing selection and use of specific contract services to address military operational capability gaps that may result from sequestration and declining defense budgets.

U.S. Southern Command (USSOUTHCOM), which has the lowest priority for funding of all U.S. combatant commands,<sup>39</sup> seems to offer an excellent learning template for how to do more with less for the larger DoD. Because USSOUTHCOM is limited in military capability (both manpower and materiel) for its area of responsibility, it is forced to seek efficiencies through partnering and contract services. Despite such limitations, USSOUTHCOM’s 28 February 2013 command briefing highlighted successes in multiple key mission areas.<sup>40</sup> Keying on its “success despite limitations” theme, this author posed the following question:

Since USSOUTHCOM appears to be a great example of how to do more with less by leveraging partnerships and contract services, have you compiled a prioritized list (from most to least critical) of contract-services disciplines you leverage to fill gaps in critical military capabilities you require to support key mission areas? DoD could benefit from your analysis and perhaps use it as the foundation for a consolidated DoD-wide template.

USSOUTHCOM representatives responded that they did not have such a list, though they agreed it could be useful. They said the current operations workload and J-staff minimum-manning would require them to contract out for such an analysis. Though operations tempo may add to the “ad hoc and reactionary” nature reflected in DoD’s past contract services planning, it will only get worse if DoD fails to progress its contract-services management, oversight, and utilization process improvements to the satisfaction of Congress. Only then will Congress likely trust DoD’s fiscal responsibility enough to raise the cap on its contract-services spending and enable it to explore all viable alternatives to address the hollow-force threat.

### **A Viable Alternative: Prioritizing & Utilizing Contract Services to Fill Gaps in Military Operational Capability**

#### ***Contract Services-Mapped Integrated Priority List (IPL)***

Historically, The Joint Capabilities Integration and Development System (JCIDS) has been used to procure future military platforms and systems, and it leverages combatant commanders’ Integrated Priority Lists (IPLs) to help identify military capability gaps and prioritize materiel solutions for required platform capabilities. Though there is no similarly regimented JCIDS-like system for procuring contract services, the DoD could benefit from the ability to map contract-services capabilities, available in the private sector and defense industrial base (DIB), directly to combatant commanders’ IPL requirements. This consolidated “contract services-mapped IPL” could enable a more deliberate process for prioritizing and optimizing procurement of contract-services capabilities to fill gaps in military capability. It could serve as a vehicle to present contract-services options for consideration in the JCIDS Analysis of Alternatives (AoA) process to fill (wholly or in-part) gaps historically filled through either re-prioritization and tasking of organic military capability or costly additional platform procurements. For manageability, this IPL would only include contract services with potential cross-over to military operational capability, not the typical “beds, beans, bullets, construction, etc.” services already resident in the standing Civil Augmentation Program (CAP) LOGCAP, AFCAP, and CONCAP contracts.<sup>41</sup>

#### ***Contract Services for Military Capability: Learn How Other Nations’ Militaries Do It***

If future comprehensive defense strategy reviews reveal that core military capabilities will be reduced or lost altogether, but are still necessary to support the NSS, then DoD could examine what other nations’ militaries have done to fill military capability gaps with contract-service alternatives. It may provide a paradigm shift in existing views concerning which U.S. military operational capabilities must remain military-only.

Canada’s military is significantly smaller and less well funded than U.S. forces, which requires it to find ways to maximize military capability under less than optimal funding conditions. The Canadian Department of National Defence (DND) has taken significant strides in exploring and utilizing contract services to cover shortfalls in Canadian military force structure and platform capability. For example, it has contracted out its equivalent of Undergraduate Pilot Training (UPT), where the contractor provides and maintains the airplanes as well as runs the actual training administration.<sup>42</sup> DND has completely contracted out ammunition production, unlike the U.S., which still retains organic military ammunition production capability and force structure.<sup>43</sup> Identifying another capability and force structure gap, DND contracted out for commercial explosive detection dog (EDD) teams for operations in support of its military forces in

Afghanistan.<sup>44</sup> It is even considering contracting out for aerial refueling capability compatible with the new F-35 Joint Strike Fighters<sup>45</sup> it is about to receive.<sup>46</sup> Costs to modernize its aerial refueling fleet to be compatible with the F-35 would be prohibitively expensive, which is why the DND is considering a potentially cheaper contract-service alternative.<sup>47</sup>

According to a March 2013 news article on [airforce-technology.com](http://airforce-technology.com), The United Kingdom's Ministry of Defence (MoD) took similar steps with regard to aircrew and ground crew training services for 22 new A400M aircraft arriving in 2014 to replace its C-130 fleet.<sup>48</sup>

A400M Training Services, a joint venture between Airbus Military and Thales UK, has received a contract from the UK Ministry of Defence (MoD) to provide training services for the Royal Air Force's (RAF) A400M Atlas military transport aircraft. [...]the company will design, construct and manage a specialist A400M training school at RAF Brize Norton[...] The company will also supply, install and maintain full flight simulators and synthetic training equipment, as well as support the air force's own course design team and training staff during the next 18 months.<sup>49</sup>

According to a 26 March 2013 Defense Industry Daily report, the British armed forces will also relinquish helicopter search and rescue (SAR-H) capability in favor of a contract-services alternative:

The UK's Department for Transport awards Bristow Helicopters Ltd. the SAR-H contract, a GBP 1.6 billion deal to replace the British Armed Forces' Sea Kings with a privately-operated service of 22 SAR helicopters from April 2015 – 2026. The service won't become fully operational until summer 2017.<sup>50</sup>

The Israeli Defense Force (IDF) contracted Aeronautics Defense Systems, an unmanned aerial vehicle (UAV), unmanned surface (land and maritime) vehicle, and intelligence, surveillance, and reconnaissance (ISR) systems company, “[m]aking military history as the first civilian company to carry out all-inclusive operational missions for the [IDF.]”<sup>51</sup> According to its corporate website, “Aeronautics has been outsourcing its visual intelligence services for field security to the IDF since 2002.”<sup>52</sup>

These examples show how potentially cheaper contract-services alternatives can replace or augment expensive military platforms, operational capabilities, and force structure. However, it is important to note, other nations may not share the same perspective as the U.S. regarding what military operations contractors are authorized to perform (e.g., see U.S. Federal Acquisition Regulation restrictions on contractors performing inherently governmental functions).<sup>53</sup> This may enhance their willingness to explore, to a greater degree than the U.S., a wider range of options for replacing or augmenting military operational capabilities with cheaper contract-services alternatives.

One should also consider that these countries arguably do not play as large a global leadership role as the U.S. and do not have to support as many dependent partners. In fact, the availability and utility of U.S. military aerial refueling and SAR capability during combined contingency operations may have figured into Canada's and Great Britain's decision calculus when they opted to switch to their respective contract-services alternatives. They may view the U.S. military as an enduring central player and partner in global contingencies and could be banking their own contract-alternative solutions at least partially on their ability to leverage U.S. military capabilities in theater. Unlike Canada, Great Britain and Israel, the U.S. does not have a

superpower ally with similar, compatible capabilities upon which to rely for military support; so in many cases, the U.S. may not have the luxury of replacing fiscally vulnerable U.S. military capabilities with cheaper contract-services alternatives.

With these considerations in mind, it is important to note that the U.S. Navy and Marine Corps are currently contracting aerial refueling from Omega Air Refueling Services, Inc.,<sup>54</sup> and High-Speed Vehicle (HSV) transport operations and maintenance capability from Seaward Services, Inc.,<sup>55</sup> so on a small scale, this idea has already taken root. It begs the question whether such operational contract services might be expanded to cover other Services' peacetime, non-combat wartime, and training aerial refueling and surface transport needs. It could either free up more military tanker aircraft and surface ships for contingency operations or reduce the requirement for so many expensive military tanker aircraft and HSVs in the first place. A reduction in organic platform requirements could spur reductions in attendant force structure (e.g., aircrews, sailing crews, and maintenance personnel) and associated long-term military compensation and entitlement costs.

### ***DoD-to-Industry Strategic Interface: Read Industry into DoD's Contract-Services Needs***

Interviews conducted in February-March 2013 with leading industry contract-services companies<sup>56</sup> revealed some of their efforts to adjust to the current fiscally constrained environment. Some of these corporations are looking to expand into Information Technology services given the increased public emphasis by DoD on cyber threats. Others are looking at capturing maintenance and sustainment contracts usually performed by full-lifecycle-capable companies. Still others are relying on their past performance and enduring history of surviving sinusoidal fluctuations in the market to stay the course and weather the current storm. Across the board, these companies understood the impending reduction in availability of defense work and have either diversified to other non-defense sectors or reinvested to remain competitive enough to secure future defense contracts.

Much of the discussion with these companies centered around their desire to stay in business and make a profit, the types of contract vehicles that worked best for them, and their desire for more clarifying "what we could have done better" feedback from DoD in the contract bidding and protest processes. There was considerable discussion regarding various forums through which these companies interacted with DoD representatives. However, the forums were usually sponsored by trade associations and lobby groups with inherent interest-group biases.<sup>57</sup> Leveraging the opportunity provided by this discussion, this author asked the following question:

Does there exist a non-partisan, unbiased, strategic-level forum in which you participate with DoD representatives to discuss what current and future, perhaps non-traditional, contract-service capabilities DoD might be able to leverage from your industry to fill military operational capability gaps in the event the "hollow force" threat is realized?

The unanimous answer was "no." Explanations for the lack of such dialogue varied. Some companies said they were more focused on how to remain successful at winning contracts in their current traditional services roles amid greater competition for fewer defense contracts. Others suggested DoD was still focused on overhauling its OCS planning, management, and oversight processes and likely was not yet ready for such a dialogue. Still others indicated that dialogue takes place at a more service-specific level through the relatively well-institutionalized Civil Augmentation Program (CAP) about specifics of the LOGCAP, AFCAP, and CONCAP contracts,



but that it would not be an appropriate forum to address the type of military capability gap assessments referenced in the question posed. All companies agreed establishing a single, enduring strategic-level forum in which PSSO industry partners could work with DoD to map services capabilities and synergies to critical military operational capability gaps would be beneficial and ultimately aid sustainment of a viable U.S. defense strategy.

In April 2013, subsequent to these interviews, a spokesperson for BAE Systems indicated the USD AT&L started inviting the larger defense contractors to roundtables to discuss implications of sequestration.<sup>58</sup> The meetings included corporate systems and services representatives as well as the military Services' acquisition executives. So, the dialogue has begun. Though it is unclear whether the forum will be temporary or enduring, it is an ingredient essential to defining a way forward.

### **Recommendations**

The critical first step toward optimizing DoD's utilization of PSSO contract services to mitigate the threat of a hollow force is convincing Congress to raise the FY10-levels cap on DoD's contract-services spending in the next NDAA. To that end, the first recommendation is for DoD to comply with the wishes of Congress and make good use of the next year to, at a minimum, produce a "plan of action with milestones and timeframes to establish a common data system"<sup>59</sup> that will ensure the accuracy of the Congressionally mandated DoD contract-services inventory.

The second step is to consider and integrate PSSO capabilities early in the operational planning process both at the combatant command and service-component levels. DoD's processes to improve contingency contract-services planning, integration, and synchronization are still in their infancy, but are maturing. Once the Joint Staff (J-4) completes its establishment of commercial services UTCs in JOPES, the second recommendation is for DoD to collect data on which contract services are used most frequently for each different type of contingency and where they may overlap military capability. Over time, improved contract-services management and oversight via the aforementioned DoD-wide common data system, coupled with this utilization data from JOPES, will enable better analysis and judgment of the cost-effectiveness of leveraging contract services as alternatives to organic military capability and force structure in the long term.

The third recommendation is to combine this data with a consolidated "contract services-mapped IPL" of critical contract services capability requirements (outside LOGCAP, AFCAP, and CONCAP) compiled by J-4 from all military services and combatant commands. Due to the sheer volume of available contract services, J-4 should limit the IPL to only those contract services with potential military applications that may reduce the need to procure additional military platforms and attendant force structure.

The fourth recommendation is to vet the contract services-mapped IPL through the OCS FCIB for validation, then provide it to the services and JROC as background for the AoA portion of the JCIDS platform requirements validation process. This will provide the JROC a more holistic picture of where PSSO contract services may have synergies that could augment or partially replace elements of U.S. military core capabilities (like aerial refueling for home-station training missions) to reduce platform procurement quantities, yet retain sufficient capability for missions abroad.

The eventual contract-services usage data collected from J-4's commercial UTCs in the JOPES database combined with the contract services-mapped IPL will also provide DoD a holistic capabilities-versus-needs picture it can take to industry. Therefore, the fifth recommendation is for OSD to bring this data to the table and engage in strategic dialogue with PSSO industry

partners, perhaps via the OCS FCIB or the roundtable talks initiated by USD AT&L in 2013, to explore opportunities for industry's current and emerging contract-services capabilities to fill non-inherently governmental military operational capability gaps.

The final recommendation is to include in the dialogue lessons learned from how partner-nation's militaries compensated for losses in military capability with PSSO contract services alternatives. This could open the minds of all participants to fresh ideas and the possibility of a new paradigm. In this time of fiscal uncertainty, non-traditional approaches must be put on the table if DoD is going to find the best options for mitigating the threat of a hollow force.

## Endnotes

<sup>1</sup> Barack Obama, *National Security Strategy*, (Washington, DC: The White House, May 2010).

<sup>2</sup> Robert Burns, “Hagel Orders Review of US Defense Strategy,” *Associated Press*, 19 March 2013, <http://www.military.com/daily-news/2013/03/19/hagel-orders-review-of-us-defense-strategy.html>, (accessed 20 March 2013).

<sup>3</sup> This paper will focus on “contract services,” leveraging the *Federal Acquisition Regulation (FAR)*, *Part 37, Subpart 37.1—Contract Services—General*, definition of “service contract”:

A contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply. A service contract may be either a nonpersonal or personal contract. It can also cover services performed by either professional or nonprofessional personnel whether on an individual or organizational basis. Some areas where service contracts are found include:<sup>3</sup>

- (1) Maintenance, overhaul, repair, servicing, rehabilitation, salvage, modernization, or modification of supplies, systems, or equipment.
- (2) Routine recurring maintenance of real property.
- (3) Housekeeping and base services.
- (4) Advisory and assistance services.
- (5) Operation of Government-owned equipment, real property, and systems.
- (6) Communications services.
- (7) Architect-Engineering (see [Subpart 36.6](#)).
- (8) Transportation and related services (see [Part 47](#)).
- (9) Research and development (see [Part 35](#)).<sup>3</sup>
- (10) Guard and protective services. (paraphrase of Subpart 37.109)<sup>3</sup>

[http://www.acquisition.gov/far/current/html/Subpart%2037\\_1.html](http://www.acquisition.gov/far/current/html/Subpart%2037_1.html), (accessed 3 April 2013).

<sup>4</sup> Polly Peyer, “Hollow Force: Scare or Dare?” *Industrial College of the Armed Forces, National Defense University*, 1994, <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA288663>, (accessed 3 April 2013).

<sup>5</sup> Claudette Roulo, “Carter: Review Reveals Sequestration’s Flaws,” *American Forces Press Review*, 1 August 2013, <http://www.defense.gov/news/newsarticle.aspx?id=120566>, (accessed 4 December 2014).

<sup>6</sup> Tyrone C. Marshall Jr., “Kendall: Sequestration Will Make Hollow Force Inevitable,” *American Forces Press Review*, 7 November 2013, <http://www.defense.gov/news/newsarticle.aspx?id=121076>, (accessed 4 December 2014).

<sup>7</sup> Chuck Hagel, *Quadrennial Defense Review (QDR)* (Washington, DC: U.S. Department of Defense, 4 March 2014), 39. The QDR goes on to say, “Reductions in overall readiness, particularly in the near years, would further challenge the ability of U.S. forces to project power and respond to contingencies. [...] Readiness decisions today will continue to have an impact for years to come. We know that core and niche skills take exponentially longer to regenerate than the time they take to erode. These corrosive readiness effects would require time and money to remedy.” 55, [http://www.defense.gov/pubs/2014\\_Quadrennial\\_Defense\\_Review.pdf](http://www.defense.gov/pubs/2014_Quadrennial_Defense_Review.pdf), (accessed 9 December 2014).

<sup>8</sup> “Nothing in this Act shall be construed to authorize an additional Base Realignment and Closure (BRAC) round.” *Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (H.R. 4435)*, Subtitle B: Prohibition on Additional BRAC Round, Sec. 2711,

113<sup>th</sup> Congress, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=926D63B6-5E50-49FC-99EF-A59B98825265](http://armedservices.house.gov/index.cfm/files/serve?File_id=926D63B6-5E50-49FC-99EF-A59B98825265), (accessed 10 December 2014).

<sup>9</sup> *Joint Explanatory Statement to Accompany National Defense Authorization Act for Fiscal Year 2015*, 116, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=78ED7A79-9066-43FD-AA75-1D8F14B4B4A2](http://armedservices.house.gov/index.cfm/files/serve?File_id=78ED7A79-9066-43FD-AA75-1D8F14B4B4A2), (accessed 18 December 2014).

<sup>10</sup> “...based on the Army’s existing system, per existing DoD guidance.” Ibid. 117.

<sup>11</sup> Ibid.

<sup>12</sup> Howard P. “Buck” McKeon *National Defense Authorization Act for Fiscal Year 2015 (H.R. 4435)*, Sec. 813. See also *Joint Explanatory Statement to Accompany National Defense Authorization Act for Fiscal Year 2015*, 116.

<sup>13</sup> “**Operational contract support** is the process of planning for and obtaining supplies, services, and construction from commercial sources in support of joint operations along with the associated contractor management functions.” U.S. Joint Chiefs of Staff, *Operational Contract Support*, Joint Publication 4-10, (Washington, DC: U.S. Joint Chiefs of Staff, 16 July 2014). [http://www.dtic.mil/doctrine/new\\_pubs/jp4\\_10.pdf](http://www.dtic.mil/doctrine/new_pubs/jp4_10.pdf), (8 November 2014).

<sup>14</sup> Jacque S. Gansler, former Undersecretary of Defense for Acquisition, Technology, and Logistics, “Gansler Commission Report,” 2007, [www.army.mil/docs/Gansler Commission Report Final 071031.pdf](http://www.army.mil/docs/Gansler_Commission_Report_Final_071031.pdf), (accessed 24 March 2013).

<sup>15</sup> U.S. Congress, House, *Joint Statement of Mr. Alan F. Estevez, Assistant Secretary of Defense for Logistics and Materiel Readiness and Brigadier General Craig Crenshaw, Vice Director for Logistics Joint Staff Before House Armed Services Committee on Operational Contract Support*, 112<sup>th</sup> Congress, 12 September 2012, 2, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=8f8caf04-e31e-44d3-8597-57d751682df0](http://armedservices.house.gov/index.cfm/files/serve?File_id=8f8caf04-e31e-44d3-8597-57d751682df0), (accessed 29 March 2013).

<sup>16</sup> Ibid, 6.

<sup>17</sup> Ibid, 6.

<sup>18</sup> U.S. Joint Chiefs of Staff, *Operational Contract Support*, Joint Publication 4-10, (Washington, DC: U.S. Joint Chiefs of Staff, 16 July 2014). [http://www.dtic.mil/doctrine/new\\_pubs/jp4\\_10.pdf](http://www.dtic.mil/doctrine/new_pubs/jp4_10.pdf), (accessed 18 November 2014).

<sup>19</sup> U.S. Congress, House, *Joint Statement of Mr. Alan F. Estevez, Assistant Secretary of Defense for Logistics and Materiel Readiness and Brigadier General Craig Crenshaw, Vice Director for Logistics Joint Staff Before House Armed Services Committee on Operational Contract Support*, 112<sup>th</sup> Congress, 12 September 2012, 4, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=8f8caf04-e31e-44d3-8597-57d751682df0](http://armedservices.house.gov/index.cfm/files/serve?File_id=8f8caf04-e31e-44d3-8597-57d751682df0), (accessed 29 March 2013).

<sup>20</sup> Gary J. Motsek, Deputy Assistant Secretary of Defense (Program Support), “Operational Contract Support ‘State of the Union’”, Briefing to Air War College, 2009, *Air University*, (accessed 28 March 2013).

<sup>21</sup> U.S. Congress, House, *Joint Statement of Mr. Alan F. Estevez, Assistant Secretary of Defense for Logistics and Materiel Readiness and Brigadier General Craig Crenshaw, Vice Director for Logistics Joint Staff Before House Armed Services Committee on Operational Contract Support*, 112<sup>th</sup> Congress, 12 September 2012, 4, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=8f8caf04-e31e-44d3-8597-57d751682df0](http://armedservices.house.gov/index.cfm/files/serve?File_id=8f8caf04-e31e-44d3-8597-57d751682df0), (accessed 29 March 2013).

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<sup>22</sup> Ibid., but updated to include OSD per interview with Mr. Lee Tate, Deputy Division Chief, Operational Contract Support & Services Division, Joint Staff (J-4), Pentagon, Washington DC, (interviewed 4 December 2014 via email).

<sup>23</sup> U.S. Congress, House, *Joint Statement of Mr. Alan F. Estevez, Assistant Secretary of Defense for Logistics and Materiel Readiness and Brigadier General Craig Crenshaw, Vice Director for Logistics Joint Staff Before House Armed Services Committee on Operational Contract Support*, 112th Congress, 12 September 2012, 3, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=8f8caf04-e31e-44d3-8597-57d751682df0](http://armedservices.house.gov/index.cfm/files/serve?File_id=8f8caf04-e31e-44d3-8597-57d751682df0), (accessed 29 March 2013).

<sup>24</sup> Frank Kendall, Undersecretary of Defense for Acquisition, Technology, and Logistics, Department of Defense, attachment to memorandum for Secretaries of the Military Departments, Chairman of the Joint Chiefs of Staff, Undersecretaries of Defense, Deputy Chief Management Officer, Commanders of the Combatant Commands, Director Defense Logistics Agency, Director Defense Contracting Management Agency, Director Defense Contract Audit Agency, subject: Charter for the Department of Defense Operational Contract Support Functional Capabilities Integration Board, 27 June 2014, [http://www.acq.osd.mil/log/PS/fcib/Revised\\_Charter\\_USD\\_AT&L\\_Memo\\_27Jun14.pdf](http://www.acq.osd.mil/log/PS/fcib/Revised_Charter_USD_AT&L_Memo_27Jun14.pdf), (accessed 1 December 2014).

<sup>25</sup> Department of Defense, *Operational Contract Support Action Plan*, 24 April 2014, [http://www.acq.osd.mil/log/PS/ocs/action\\_plan/Exec\\_Sum\\_for\\_Web\\_DoD\\_OCS\\_Action\\_Plan\\_FY2014-2017\\_24Apr2014.pdf](http://www.acq.osd.mil/log/PS/ocs/action_plan/Exec_Sum_for_Web_DoD_OCS_Action_Plan_FY2014-2017_24Apr2014.pdf), (accessed 7 December 2012).

<sup>26</sup> U.S. Congress, House, *Joint Statement of Mr. Alan F. Estevez, Assistant Secretary of Defense for Logistics and Materiel Readiness and Brigadier General Craig Crenshaw, Vice Director for Logistics Joint Staff Before House Armed Services Committee on Operational Contract Support*, 112th Congress, 12 September 2012, 3, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=8f8caf04-e31e-44d3-8597-57d751682df0](http://armedservices.house.gov/index.cfm/files/serve?File_id=8f8caf04-e31e-44d3-8597-57d751682df0), (accessed 29 March 2013).

<sup>27</sup> Ibid, 7; but updated to present day per interview with Mr Lee Tate, Deputy Division Chief, Operational Contract Support & Services Division, Joint Staff (J-4), Pentagon, Washington DC, (interviewed 4 December 2014).

<sup>28</sup> Ibid, 5.

<sup>29</sup> Joint Chiefs of Staff (JCS), *Operational Contract Support Joint Concept*, 7 October 2013, [http://www.dtic.mil/doctrine/concepts/joint\\_concepts/jic\\_opcontsupport.pdf](http://www.dtic.mil/doctrine/concepts/joint_concepts/jic_opcontsupport.pdf), (accessed 4 December 2014).

<sup>30</sup> Lee Tate, Deputy Division Chief, Operational Contract Support & Services Division. Joint Staff (J-4), Pentagon, Washington DC, (initially interviewed while a student at the Dwight D. Eisenhower School for National Security and Resource Strategy on 20 March 2013 for his expertise as a J-4 analyst; interviewed again on 4 December 2014 in his current position).

<sup>31</sup> U.S. Congress, House, *Joint Statement of Mr. Alan F. Estevez, Assistant Secretary of Defense for Logistics and Materiel Readiness and Brigadier General Craig Crenshaw, Vice Director for Logistics Joint Staff Before House Armed Services Committee on Operational Contract Support*, 112th Congress, 12 September 2012, 9-10, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=8f8caf04-e31e-44d3-8597-57d751682df0](http://armedservices.house.gov/index.cfm/files/serve?File_id=8f8caf04-e31e-44d3-8597-57d751682df0), (accessed 29 March 2013).

<sup>32</sup> Lee Tate, Deputy Division Chief, Operational Contract Support & Services Division. Joint Staff (J-4), Pentagon, Washington DC, (initially interviewed while a student at the Dwight D.

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Eisenhower School for National Security and Resource Strategy on 20 March 2013 for his expertise as a J-4 analyst; interviewed again on 4 December 2014 in his current position).

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> ...needed to ensure an accurate contract-services inventory for Congress.

<sup>36</sup> “Better Buying Power (BBP) 1.0 was introduced in 2010 as part of the Department of Defense's (DoD) Efficiency Initiative. The objective was to deliver warfighting capabilities needed within the constraints of a declining defense budget by achieving better buying power for the Warfighters and taxpayer. On June 28, 2010, USD(AT&L) issued ‘[Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending](#)’ that outlined the core objectives and direction of BBP to deliver better value to the taxpayer and improve the way the Department does business. The mandate was followed by the September 14, 2010 memorandum, ‘[Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending](#)’ where 23 principal actions to achieve greater efficiency and productivity in defense spending were introduced. Further guidance was issued on November 3, 2010 that provided detailed implementation direction to the acquisition workforce; ‘[Implementation Directive for Better Buying Power – Obtaining Greater Efficiency and Productivity in Defense Spending](#).’” <http://bbp.dau.mil/background.html>, (accessed 14 December 2014).

<sup>37</sup> “Better Buying Power 2.0 reflects the Department of Defense’s commitment to continuous improvement. Significant progress has been made since BBP was first introduced. Affordability analysis is now part of the standard Defense Acquisition Board (DAB) planning process to facilitate investment decisions; Should-Cost estimates are being used as standard practice within the military Services; and competitive incentive contracts, **services acquisitions, and small business opportunities are receiving greater attention and focus**. Many initiatives that were first introduced will remain, while a set of new initiatives have been identified and are being added to address current fiscal realities. The basic goal of BBP remains: deliver better value to the taxpayer and warfighter by improving the way the Department does business.” [http://www.acq.osd.mil/docs/BBP%20Fact%20Sheet%20\(13%20NOV\)%20Final.pdf](http://www.acq.osd.mil/docs/BBP%20Fact%20Sheet%20(13%20NOV)%20Final.pdf), (accessed 4 April 2013).

<sup>38</sup> “The progression from BBP 1.0 to 2.0 reflected a change in emphasis from specific “best practices” to an increased emphasis on helping acquisition professionals think critically and make better decisions as they confront the myriad, complex situations we encounter in defense acquisition. In BBP 2.0 we emphasized professionalism and providing better tools to help the acquisition professionals in DoD make sound decisions. We also continued many initiatives from BBP 1.0 and made adjustments in some areas based on our experience and feedback from industry and government. BBP 3.0 continues the focus on continuous improvement with a new emphasis on initiatives that encourage innovation and promote technical excellence with the overarching goal of ensuring that the United States’ military has the dominant capabilities to meet future national security requirements.” Frank Kendall, Under Secretary of Defense for Acquisition, Technology and Logistics, Better Buying Power 3.0 White Paper, Interim Release, 19 September 2014, <http://breakingdefense.com/wp-content/uploads/sites/3/2014/09/Better-Buying-Power-3-0-Interim-Release-Materials.pdf>, (accessed 8 December 2014).

<sup>39</sup> Department of Defense, *Posture Statement of General John F. Kelly, United States Marine Corps, Commander, United States Southern Command, Before the 113<sup>th</sup> Congress House Armed Services Committee*, 26 February 2014, 3, [http://www.southcom.mil/newsroom/Documents/2014\\_SOUTHCOM\\_Posture\\_Statement\\_HAS\\_C\\_FINAL\\_PDF.pdf](http://www.southcom.mil/newsroom/Documents/2014_SOUTHCOM_Posture_Statement_HAS_C_FINAL_PDF.pdf), (accessed 20 November 2014).

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<sup>40</sup> Command briefing was provided during a Dwight D. Eisenhower School for National Security and Resource Strategy visit of the Private Sector Support to Operations (PSSO) Industry Study Seminar to HQ USSOUTHCOM on 28 February 2013.

<sup>41</sup> “[Civil Augmentation Program are] Standing, long-term contracts designed to augment Service logistic capabilities with contract support in both preplanned and short notice contingencies. Examples include US Army Logistics Civilian Augmentation Program [LOGCAP], US Air Force Contract Augmentation Program [AFCAP], and US Navy Construction Capabilities Contract [CONCAP].”

<http://www.thefreedictionary.com/civil+augmentation+program>, reference from *Dictionary of Military and Associated Terms, US Department of Defense 2005*. (accessed 25 March 2013).

<sup>42</sup> Interviews conducted during 21-22 March 2013 Dwight D. Eisenhower School for National Security and Resource Strategy visit to the Canadian Ministry of Defense CJOC/J4.

<sup>43</sup> W. Michael Hix, Bruce Held, and Ellen M. Pint, “Lessons from the North: Canada’s Privatization of Military Ammunition Production,” Document Number MG-169-OSD, *RAND National Defense Research Institute*, a monograph prepared for the Office of the Secretary of Defense, 2004, <http://www.rand.org/pubs/monographs/MG169.html>, (accessed 14 December 2014).

<sup>44</sup> Steven Chase, “Forces planning to expand use of sniffer-dog teams,” *The Globe and Mail*, updated 23 August 2012, <http://www.theglobeandmail.com/news/politics/forces-planning-to-expand-use-of-sniffer-dog-teams/article1206842/>, (accessed 5 December 2014).

<sup>45</sup> Andrea Shalal, “Exclusive: Canadian review will recommend buying Lockheed F-35 fighter jet – sources,” *Reuters*, Washington, 5 June 2014, <http://www.reuters.com/article/2014/06/05/us-lockheed-martin-canada-f-idUSKBN0EG2P820140605>, (accessed 1 December 2014).

<sup>46</sup> David Pugliese, “Canadian Military Would Need to Outsource F-35 Refueling,” *Defense News*, 7 Jan 2013, <http://www.defensenews.com/article/20130107/DEFREG02/301070004/Canadian-Military-Would-Need-Outsource-F-35-Refueling>, (accessed 14 November 2014). Also Ibid from Interviews with Canadian MoD endnote.

<sup>47</sup> Lee Berthiaume, “Military will contract out air-to-air refuelling if Canada goes with F-35,” 20 December 2012, <http://o.canada.com/2012/12/20/military-will-contract-out-air-to-air-refuelling-if-canada-goes-with-f-35/>, (accessed 31 March 2013).

<sup>48</sup> “UK MoD contracts Airbus Military and Thales for A400M training services,” *airforce-technology.com*, 5 March 2013, <http://www.airforce-technology.com/news/newsuk-mod-airbus-military-thales-training-services>, (accessed 29 March 2013).

<sup>49</sup> Ibid.

<sup>50</sup> “Britain’s Next Search-and-Rescue Helicopters: Civilian Contractors,” *Defense Industry Daily*, 26 March 2013, <http://www.defenseindustrydaily.com/british-searchandrescue-a-billion-pound-partnership-02271/>, (accessed 29 March 2013).

<sup>51</sup> Aeronautics Defense Systems, Corporate Website, <http://www.aeronautics-sys.com/?CategoryID=274&ArticleID=222>, (accessed 14 November 2014).

<sup>52</sup> Ibid.

<sup>53</sup> *Federal Acquisition Regulation, Subpart 7.5--Inherently Governmental Functions*, [https://acquisition.gov/far/current/html/Subpart%207\\_5.html](https://acquisition.gov/far/current/html/Subpart%207_5.html), (accessed 10 April 2013).

<sup>54</sup> Omega Aerial Refueling Services, Corporate Website, <http://www.omegaairrefueling.com/vms/>, (accessed 1 April 2013).

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<sup>55</sup> “Seaward Services Awarded High-Speed Vessel Operations and Maintenance Contract,” Seaward Services, Inc., Corporate Website, 9 July 2013, <http://www.seawardservices.com/wp-content/uploads/2013/07/PR-MS-C-5Y-FINAL.pdf>, (accessed 19 November 2014).

<sup>56</sup> BAE Systems, KBR, DynCorp, FLUOR, Deloitte, Exelis Inc. and others.

<sup>57</sup> Examples include the Aerospace Industries Association (AIA), The Armed Forces Communications and Electronics Association (AFCEA), Professional Services Council (PSC), National Defense Industrial Association (NDIA), Association of the U.S. Army (AUSA), and the Air Force Association (AFA).

<sup>58</sup> 3 Apr 2013 BAE Systems lecture at the Dwight D. Eisenhower School for National Security and Resource Strategy.

<sup>59</sup> *Joint Explanatory Statement to Accompany National Defense Authorization Act for Fiscal Year 2015*, 116, [http://armedservices.house.gov/index.cfm/files/serve?File\\_id=78ED7A79-9066-43FD-AA75-1D8F14B4B4A2](http://armedservices.house.gov/index.cfm/files/serve?File_id=78ED7A79-9066-43FD-AA75-1D8F14B4B4A2), (accessed 18 December 2014).