



War and Profit:

Doing business on the battlefield

Executive summary

Over the past 15 years, the permanent Australian Defence Force (ADF) has fallen in strength from over 70,000 to around 52,000 personnel. This is due, in large part, to the contracting out of support activities to the private sector. While most rear-echelon support tasks have been permanently outsourced, direct support on or near the battlefield largely remains an ADF role, with only ad hoc private sector involvement.

In contrast, the US, and to a lesser extent the UK, now rely extensively on private firms to provide logistics support in operational areas. Moreover, the private sector increasingly maintains high-tech military equipment, including command and control systems, for our allies in the field. This reliance has been tested in the recent Iraq War and, while there have been challenges, it has proven effective throughout the turmoil of that endeavour. Where there have been problems, they can usually be traced back to inadequate oversight rather than to any intrinsic problem with contract support. Importantly, any fear that contractors would 'cut and run' when the security situation deteriorated has been dispelled.

Iraq has also seen a much expanded role for the private sector in providing armed security on the ground, including to the Australian

Government. While this, too, has proved effective, the rapid rise in largely unregulated paramilitary security firms is a concern.

More recently, the ADF has employed the private sector to varying degrees in East Timor, Bougainville, Afghanistan and Iraq. By and large, this has worked well, freeing precious ADF logistics capacity for other tasks. But in each case the ADF used contractors to replace its own support elements only some time after the initial deployment.

The benefits of using contractors are greatest when their support is on call and ready to go as an integrated part of overall military preparedness. This allows contractor support to be employed from the first day of operations, thereby keeping sparse military logistics capacity in reserve for higher intensity operations where contractor support would be impractical. Both the US and UK now have long-term contracts with logistics contractors for this reason. In the case of the US, the contractor stands ready to provide an extensive package of logistics support for up to 25,000 troops anywhere around the globe at 15 days notice.

So far, Defence has resisted taking the step of prearranging logistics support on a contingent basis. We think that the time is ripe to do so.

Our proposal is contained in the following four recommendations.

Move now to prearrange contract support for operations

The ADF should follow the lead of both the UK and US and contract a logistics support partner to be ready to support deployments at short notice. Given recent experience, such a contract would naturally cover both military operations and humanitarian crises. This would give the ADF the opportunity to fully integrate the private sector partner into planning and exercising. More importantly, it would provide options in the event of a contingency—real options that the ADF could either use or set aside in favour of its own organic capabilities depending on the risks. At the same time, the ADF would do well to further explore how the private sector can be made ready to maintain specialist equipment in the field, especially in those areas where the ADF is having trouble recruiting and retaining suitably skilled personnel.

Sharpen the capability to manage contractors

If the ADF makes more extensive use of contractor support to operations, it will need the doctrine, skills and capacity to do so effectively. Fortunately, good progress has been made in developing appropriate doctrine and policies for the use of contractors, and skills have accumulated through successive recent operations. Nonetheless, the recent need to initiate widespread reforms to Defence Materiel Organisation contracting shows that there's still substantial room for improvement. The aim should be to employ the highest standards of commercial acumen, supported by quality legal advice, when writing and agreeing contracts. Then, once an operation commences, it's essential to have an adequate number of trained personnel available to manage the delivery of services under contract.

Tighten the legal framework and related policies

There is an increasing number of unregulated firms providing both paramilitary security services and military training or advice for profit. Without regulation, there's no guarantee that such firms will act in Australia's national interest. Consequently, the government should introduce a regulatory regime to control the provision of military, paramilitary and policing services, training and support akin to the export control regime for arms and military technology. The UK is exploring options to regulate firms operating from its jurisdiction, and the US—arguably the world's most *laissez faire* economy—already requires export licences for firms providing such services. Additionally, as a matter of policy, Australia should not employ security contractors in roles and circumstances that would risk their non-combatant status under international law.

Where possible, transfer resources into combat capability

Nothing proposed here would make any difference to the size or shape of the ADF, but it would be surprising if opportunities didn't consequently arise to refocus ADF personnel away from support tasks and into more direct combat roles. Of course, it would still be necessary to retain a core ADF organic support capability for high-intensity operations where contractor support is impractical. Care would be required. Any changes to the force structure should only be considered once confidence in contractor support is fully established. Nonetheless, if contractors more fully shouldered the burden in operations, there should be ways of adjusting the current split of resources between support and direct combat capabilities, to the benefit of the latter.



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