CSS Analysis in Security Policy

CSS ETH Zurich

No. 80 • September 2010

PRIVATISING SECURITY: THE LIMITS OF MILITARY OUTSOURCING

Increasingly, the armed forces of Western countries are outsourcing military tasks to private contractors. The aim is to enhance efficiency. However, an excessive outsourcing can have a negative effect on mission fulfilment. This raises the question of how far this practice can be allowed to go. Hitherto, the approach has been to assess the expedience of outsourcing in terms of capability categories in a one-time consideration of the balance between efficiency and effectiveness. However, the relationship between efficiency gains and loss of effectiveness depends to a considerable degree on the security situation. Decisions on outsourcing should therefore be made flexibly in accordance with the security environment.

Reuters / Nikola Solic

A private contractor supplies a Canadian military camp in Kandahar, Afghanistan, 27 May 2010.

Since the early 1990s, the armed forces of Western countries have increasingly been outsourcing military tasks to private companies. In the area of responsibility of US CENTCOM, around 250,000 civilians are providing services for the armed forces. In 2005, the US Department of Defense, the State Department, and the Department of Homeland Security spent a total of US$ 390 billion on services provided by the private sector. It is difficult to gauge the market for military outsourcing in particular, but the value of US logistics contracts alone over the coming decade will be up to US$ 150 billion.

One the one hand, there are advantages to be gained from integrating civilian service providers into military operations, including efficiency gains, access to new technology, and the capability for rapid build-up. On the other hand, there are possible drawbacks. For instance, with an extensive outsourcing of tasks, there is a danger of loss of skills in the armed forces, loss of effectiveness through increasing dependency on markets, and loss of legitimacy for the regular armed forces as a consequence of inappropriate actions by the private contractor. Therefore, it is crucial to carefully weigh questions such as which tasks can be outsourced and which criteria should be applied in this context.

Increasing importance and expansion of task range

Support by civilian personnel for armed forces is nothing new, historically speaking. The phenomenon has grown to its current level of significance since the end of the Cold War. The increasing volume of outsourcing is reflected in the numerical relation between soldiers and civilians in conflicts, which has shifted towards a greater share of civilian involvement (cf. Table 1).

At the same time, the service spectrum of private contractors has significantly expanded. It now includes military adviser services, protection duties, repair and maintenance of weapons systems, logistics, and protection of supply chains. Also, commanders increasingly receive aerial reconnaissance images and situation analyses from private companies. In some cases, civilians even directly participate in combat operations and service weapons systems or supply coordinates for air strikes.

Advantages and risks of outsourcing

One reason for the trend towards outsourcing is to be found in the increasing demands made of the armed forces. The latter are faced with shrinking defence budgets and personnel strengths even as the number and duration of missions increase. Purchasing private expertise promises to provide at least temporary solutions to capability shortfalls and thus to absorb resource shortages. Political decisionmakers also often advocate an increasing use of private contractors. Labour-intensive international stabilisation missions in particular often struggle to cope with troop ceilings dictated by domestic political considerations and with diminishing public support. Here, too, outsourcing tasks creates additional room for manoeuvre.

The efficiency argument also carries a great deal of weight. The predominant view is that in the area of security, too, the free market can provide service more

efficiently and affordably than the state. However, the size of savings thus gained depends on the factors taken into account for the calculation. The decisive question is whether this calculation includes the transactional costs and indirect savings that accompany any restructuring, such as non-incurred pension payments. In the short term, outsourcing may serve to reduce costs, as only the costs of the private contractor's service during the mission at hand are incurred. As soon as the mission is over, expenses on personnel, housing, and supplies no longer accrue, unlike in the case of military units. Initial efficiency gains, however, may be outweighed by creeping cost increases on the side of the private contractor.

Military units offer other advantages that are more difficult to quantify. They can be used in manifold ways without change of contract. However, extensive outsourcing may have a detrimental effect on the effectiveness of armed forces. For instance, there is a risk that expertise may be lost, and a dependency on private contractors may arise. Also, if the security situation in a theatre of operations should deteriorate, providers of logistics and support may refuse to continue their services. If the military is unable to take over these tasks again, there may be negative repercussions for effectiveness. Another risk is that private contractors may display unacceptable behaviour in an operation area. If private security contractors kill or injure civilians, it may be impossible to hold the company in question accountable due to lack of oversight or legal frameworks, with a resulting loss of legitimacy that may have a negative effect on a mission.

Against this background, defining the limits of outsourcing becomes a matter of some urgency. In the US, the Commission on Wartime Contracting created by the Senate in 2008 is tasked with debating the matter. In a hearing, three different concepts for defining these limits were discussed: The concept of state-inherent tasks, the concept of core capabilities, and the concept of mission-critical tasks.

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The concept of state-inherent tasks

Every society has certain conceptions of which tasks are the mandatory prerogative of the state. This approach postulates that state-inherent tasks should be handled by the state, while the private sector can provide other services. The advantage of such an arrangement is that it draws a clear distinction. If a given task is classified as inherent, it cannot be outsourced. However, this concept does not define the actual boundaries of such a distinction. For instance, the US with its rather restrictive idea of the state outsources considerably more tasks to the private sector than most Western European countries do. Among the classic state-inherent tasks in the area of security are offensive combat operations, for example.

This approach affords long-term planning security to decision-makers. Furthermore, depending on where the boundary is drawn, it also allows considerable savings to be made. A narrow interpretation of the notion of "state-inherent tasks" enhances the freedom of manoeuvre, while an extensive interpretation restricts it. The disadvantage of this concept is that the danger of dependency on private contractors is particularly acute. Even non-state-inherent tasks may be critical for fulfilling a mission. While medic services may not be strictly a state-inherent task, it is a necessary component for any army in fulfilling its mission. If such services are no longer provided by the contractor and cannot be rapidly taken on by the armed forces themselves, the result will be a loss of effectiveness.

The concept of core capabilities

The concept of core capabilities takes into account that a capability, though it may not be state-inherent, may nevertheless be critical for the accomplishment of a mission by the armed forces. The limits of outsourcing thus depend largely on the missions allocated to the armed forces. Depending on these missions, core capabilities are defined as capabilities that are indispensable for mission fulfilment. Thus, for instance, an army that is tasked exclusively with traditional territorial defence does not require strategic airlift capabilities. However, for armed forces deployed on overseas missions, such capabilities are vital.

This approach makes it possible to tailor the outsourcing of tasks specifically to the needs of the armed forces. Capabilities are subdivided into core and non-core capabilities, the latter of which may be entrusted to the free market. This procedure preserves a certain degree of flexibility. Since the boundary between core and non-core capabilities is not defined by a normative idea of the state, it can be adapted more easily when the mission changes. Efficiency gains are moderate in this approach, however, since the category of core capabilities is broader than that of state-inherent capabilities. The positive aspect is that the danger of dependency on the market is minor. Since outsourcing decisions are geared towards the requirements of the armed forces, the absolutely indispensable capabilities must be available under any conditions. The potential loss of effectiveness in case a private contractor should fail to provide is therefore less than in the concept of state-inherent tasks. It can nevertheless be considerable, since it is not only core capabilities that are decisive for the success of a mission.

The concept of mission-critical capabilities

The concept of mission-critical capabilities aims to ensure the independent provision of all capabilities that are crucial for the success of a mission. For instance, training tasks are not core tasks, but in the case of stabilisation and nationbuilding missions, they are critical for success. This approach is based on the question of which missions (traditional warfighting scenarios, peacekeeping, nationbuilding, etc.) the armed forces should carry out and which capabilities are required for doing so. This approach ensures a high degree of effectiveness,

The ratio of civilians to soldiers in selected conflicts

Conflict	Civilians (contracted by the US)	US soldiers	Ratio
World War I	85,000	2,000,000	1:24
World War II	734,000	5,400,000	1:7
Vietnam War	70,000	359,000	1:5
Iraq (1991)	5,200	541,000	1:104
Balkans	20,000	20,000	1:1
Iraq (2007)	190,000	160,000	1:0,8
Afghanistan (2009)	74,000	55,000	1:0,7
Iraq (2010)	95,000	95,000	1:1

Sources: Congressional Research Service, Air Force Journal of Logistics.

Switzerland and outsourcing of security tasks

The federal administration as contracting entity

- Numerous federal agencies make use of the service of private security contractors.
- The use of private security contractors by federal agencies is regulated by law.

Switzerland as company domicile

- There is no national register at the federal level or licensing regulation for private security contractors domiciled in Switzerland. In 2008, the Federal Council decided not to introduce a mandatory registration and licensing system.
- In spring 2010, an international security contracting firm moved its company headquarters to Basel, prompting the Federal Council to revisit the issue.
- From the point of view of neutrality law, there are no obstacles to companies being domiciled in Switzerland.

Diplomatic activities

- An initiative launched by the Swiss Federal Department of Foreign Affairs (FDFA) and the International Committee of the Red Cross in 2006 led to the approval of the "Montreux Document" in 2008. This contains an overview of the obligations of private security companies under international law and good practices. The legally non-binding document is supported by 35 states.
- The FDFA supports the efforts of the private security contractor trade to elaborate a code of conduct. This is to include an accountability mechanism. The code is to be agreed before the end of 2010.

since the armed forces can act relatively independently of the free market. Conversely, there is less opportunity for reducing costs and realising efficiency gains, since mission-critical capabilities are even more comprehensively defined than core capabilities.

These three approaches are not mutually exclusive. In practice, a hybrid form including all these options is frequently applied. The question remains which criteria should ultimately determine decisions on outsourcing. For instance, if logistics are regarded as a non-state-inherent task, considerable savings can be made during peacetime. However, during combat operations, such a capability may prove to be mission-critical. The approaches presented here have a common deficiency in that a categorical separation of capabilities does not allow a flexible weighting of advantages and disadvantages of outsourcing, but instead forces decision-makers at an early stage to decide between efficiency and effectiveness.

The security situation as a decisive factor

It may be helpful not to link outsourcing decisions directly to capability categories, but to make them dependent on the security situation and the place where services are to be provided. In this approach, too, an indispensable element would be to define a core of state-inherent tasks that cannot be outsourced. Even under a highly restrictive interpretation, this would include planning and carrying out combat operations. All other tasks could be outsourced, but only to a certain degree. The armed forces must sustain sufficient own capabilities in every area to be able, if need be, to carry out a task on their own. The decision on outsourcing would be based mainly on external framework conditions.

The decisive criterion would be the security situation: The more unstable a security situation is, the higher the probability of negative consequences. Examples from Iraq show that the danger of logistics providers refusing services grows as the situation becomes increasingly unstable. Since service refusal causes a decline of effectiveness, logistics in instable regions must be provided by the armed forces. Logistics can be outsourced where the security situation is stable, for instance in the home country or on the way to the theatre of operations. In the theatre of operations, outsourcing is possible where the security situation permits.

With private security companies, unlike logistics and support service providers, the danger of service refusal is quite low even under conditions of instability. The danger here is rather that they are more likely to make use of weapons and kill or injure civilians. Since legal oversight is often lacking in combat zones, and private contractors thus often remain free from supervision or legal accountability, the legitimacy of the entire mission may be compromised by such incidents. This is particularly serious in the case of stabilization missions that are predicated on winning the support of the population. Under this approach, protection duties could only be outsourced to private companies in stable regions, in the home country, or on the way to the theatre of operations, where sufficient judicial oversight could be ensured.

The flexibility of such an approach could be increased if outsourcing was also facilitated in an unstable environment depending on the place where the service was to be provided. A distinction would have to be made between services provided within a camp or secured zone and outside of it. Within such a perimeter, a certain degree of stability and oversight of civilians could be guaranteed. Refusal of service by logistics and support contractors would be relatively unlikely. Also, it would be possible to supervise private security companies hired, for instance, to provide guard duty. Outside of the camp, resupply and protection duties would have to be carried out by the armed forces; otherwise, the danger of losing effectiveness would be too great. Such an arrangement would make it possible to achieve efficiency gains even in unstable regions through outsourcing.

Such a situation-dependent approach would allow limited flexibility. Nearly all capabilities with the exception of state-inherent tasks could be outsourced if the security situation permitted. The extent of cost savings achieved would likely be less than under the other approaches discussed above, since that armed forces would need to retain the necessary capabilities to provide the required tasks on their own and replace private contractors when required. However, this approach would make it possible to gain efficiency without significant loss of effectiveness, since the balance between outsourcing and own contribution can be adapted according to the situation at hand.

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- Author: Ulrich Petersohn
  petersohn@sipo.gess.ethz.ch
- Responsible editor: Daniel Trachsler
  sta@sipo.gess.ethz.ch
- Translated from German:
  Christopher Findlay
- Other CSS Analyses / Mailinglist:
  www.sta.ethz.ch
- German and French versions:
  www.ssn.ethz.ch