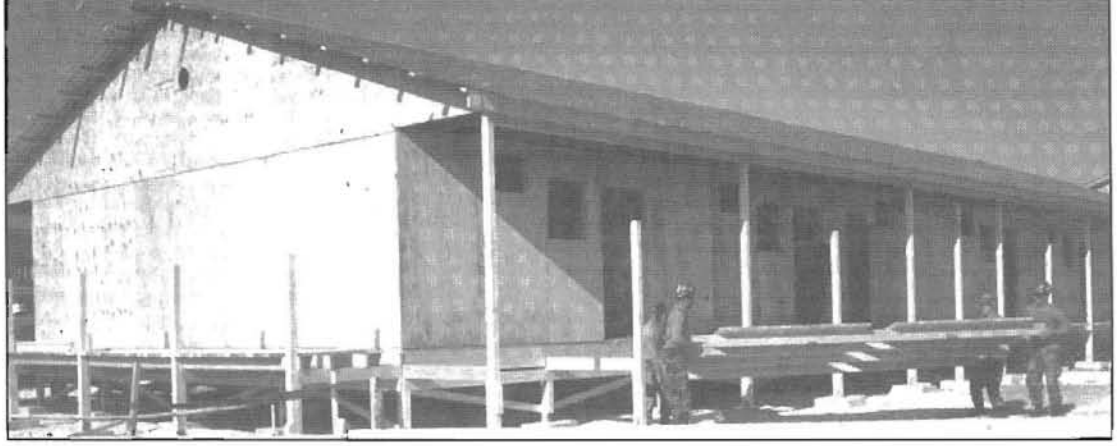


Managing the Logistics-Support Contract in the Balkans Theater

By Colonel Donald T. Wynn

On 12 June 1999, U.S. forces moved into Kosovo in support of the NATO peacekeeping operation. That was the beginning of extremely intense operations by the total Engineer Regiment, which was composed of Army engineers, Seabees, Corps of Engineers civilians, and a Corps contractor (Brown & Root Services of Houston, Texas). In less than 90 days, the Regiment accomplished a minor miracle: It built enough Southeast Asia (SEA) huts (large plywood buildings based on a design originally used in Vietnam) to house Task Force Falcon through the bitter Balkans winter. Of course, the real winners were the men and women of the task force. The Regiment did not rest on its laurels but forged ahead to complete the base camps and establish an enviable quality of life for the American forces.

Brown & Root was a significant factor in the success of the Engineer Regiment and Task Force Falcon. This engineer success, combined with the requisite contracted logistics support, has clearly established a template for rapidly providing temporary facilities and services in future operations other than war.

Brown & Root's operational scope was large and diverse. From 12 June to 30 September 1999, the contractor provided 15,559 trusses and 7,222 sidewalls for SEA-hut construction (prefabricated in Macedonia and trucked to the Kosovo camps); assembled 192 SEA huts in conjunction with Army and Navy engineers; and erected two temporary (Tier III tents) dining facilities, 13 helipads, 2 aviation-maintenance clamshells, 12 temporary mess-kitchen-trailer dining facilities, and 37 temporary shower units. While Brown & Root supported this intensive temporary construction effort, it also supplied task-force members with logistics services that contributed immeasurably to troop morale and mission readiness: 1,134,182 high-quality meals, 55,544,000 gallons of water, and 383,071 gallons of diesel fuel (DF) 2. The contractor also serviced 671 portable latrines a total of 31,037 times, collected 89,228 cubic meters of trash, and loaded/offloaded 4,229 containers. These numbers represent a snapshot of some of the services provided by Brown & Root, but the list is by no means all-inclusive.

The Corps's Transatlantic Programs Center (TAC), on behalf of the U.S. Army Europe's Deputy Chief of Staff for Logistics (USAREUR DCSLOG), awarded and are administering the Brown & Root contract. The TAC receives extensive support from the Defense Contract Management Agency (DCMA), the Defense Contract Audit Agency (DCAA), and the Base Camp Coordinating Agency (BCCA). Simply put, these agencies' roles in overseeing the Brown & Root contract are as follows:

- The TAC provides the program management, funds control, and contracting-officer oversight.
- The DCMA provides the administrative contracting officers (ACOs) in the Balkans, along with quality-assurance and property-control teams. The teams are coordinated out of the DCMA's southern Europe headquarters. The DCMA also provides an ACO at Brown & Root's corporate headquarters to review and approve corporate functions related to the contract.
- The DCAA provides independent verification of all costs incurred by Brown & Root.
- The BCCA performs many of the same functions that are performed by the Directorate of Public Works at a regular Army installation, plus the BCCA assists the DCMA ACOs with assuring the quality of Brown & Root's construction. The current BCCA groups are provided by the Corps's North Atlantic Division and supervised by the Corps's Europe District.

With so many different organizations involved in the administration of one contract, intensive communications and coordination are required to ensure the smooth flow of logistics services to the task force.

Contracting in the Balkans

The numbers capturing Brown & Root's support to Task Force Falcon are impressive, even for the short time period mentioned above. However, the contractor

has provided logistics services in the Balkans region since December 1995, when U.S. forces were committed to the NATO peacekeeping operation in Bosnia-Herzegovina. From then through May 1997, the services were provided under a contract awarded by TAC to support the Army's Logistics Civil Augmentation Program (LOGCAP), which provides contracted logistics services during military contingency operations. The Army expended $546.6 million for services supporting the peacekeeping operations in Bosnia.

As a result of the continuing U.S. commitment in Bosnia, USAREUR asked TAC to award a follow-on, sustainment-services contract to Brown & Root. This contract, with a value of $413.5 million, was effective from May 1997 through May 1999. The contract was not part of LOGCAP, which is now administered by the U.S. Army Materiel Command. (See article "LOGCAP: Providing Vital Services to Soldiers," *Engineer*, March 1997.)

The continued U.S. involvement in the Balkans region prompted the competitive award of the current logistics-support contract, which became effective in May 1999. The contract was awarded for one year, with four one-year option periods that can be awarded at the government's discretion. Services are provided for U.S. forces deployed to support—

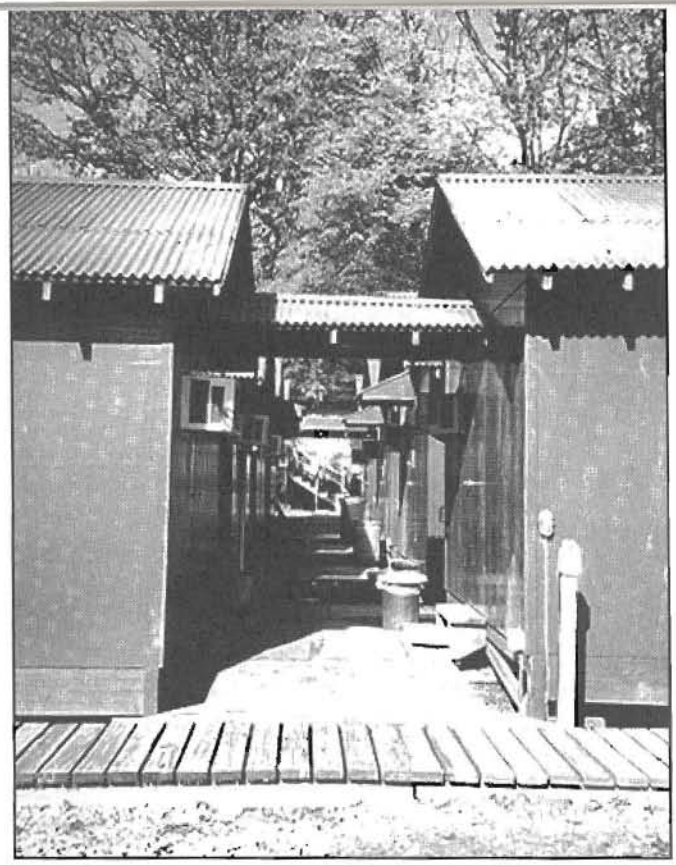
- Operation Joint Forge, the U.S. portion of the NATO-led peacekeeping operation designed to help stabilize Bosnia following the 1995 Dayton Peace Accords. U.S. military units also support Joint Forge at locations in Hungary and Croatia.
- Operation Joint Guardian, the U.S. portion of the NATO-led military force whose aim is to achieve a secure environment to ensure peace and stability in Kosovo. U.S. military units also support Joint Guardian in neighboring Macedonia.

The contract is a cost-reimbursement, indefinite-delivery/indefinite-quantity contract, with task orders issued to the contractor to match customer requirements. This type of contract is used when the government cannot specify in advance a firm quantity of services because of changing mission requirements. Having this contractual flexibility has been a key element of providing logistics services in the Balkans, where mission requirements may change frequently. Additionally, the contract is structured so that it can be used to support other operations in the region at USAREUR DCSLOG's request.

From May 1999 through early April 2000, providing services cost in excess of $625 million. Most of that went for the intense build-up operations in Kosovo ($389.2 million) and Macedonia ($75 million), with the remainder supporting sustainment operations in Bosnia, Hungary, and Croatia ($161.6 million).

Deciding to Contract

TAC was requested by its customer to competitively award the current logistics-support contract because USAREUR DCSLOG determined that this contracting



SEA huts in Tuzla, Bosnia

support is critical for meeting soldiers' needs in the theater. However, the genesis of providing contracted logistics services predates the Balkans operations by well over a decade.

Why did the Army decide to use a civilian contractor to provide logistics-support services to U.S. forces overseas? And what considerations, decisions, and requirements are required to manage a contract of this magnitude?

Obviously, the optimal solution to providing logistics services for any operation is to have a robust uniformed force structure in an unconstrained environment—a scenario that would give the field commander full control of his logistics assets. It's just as obvious that in today's constrained budget and force-structure environments, that scenario is extraordinarily unlikely. The Army envisioned these constraints in the 1980s, before the fall of the Berlin Wall and the Gulf War, and developed a plan that would use civilian contractors to augment the Army's logistics capability during contingency or wartime operations.

Since then, two factors have forced the Army to use contracted services even more heavily than originally envisioned: a greater-than-anticipated reduction in the force structure and the limited size of the military footprint in overseas military operations. Thus, the Army has come to rely heavily on contracted services in the areas of life support (food, water, shelter, sanitation, and laundry), transportation, and maintenance. This enables the footprint of U.S. forces to consist primarily of combat units.

As the Army began developing this plan, it reviewed industry's support of past military operations and looked at the potential for continued support. The 1980s and 1990s have



Brown & Root provides container-handling services for U.S. Army operations in Bosnia.

produced several robust corporations with extensive global networks. Prudently engaged, these corporations are prepared and practiced in independently delivering logistics-type services in a vast spectrum of environments and locations. This competitive environment places corporations in a position to respond rapidly to commercial needs which, in turn, can be extended to support the needs of combat soldiers in military missions around the world.

Whether supporting a large combat operation or an operation other than war, the logistics-support requirements are similar. In both cases, soldiers need food and shelter, transportation to and in the theater of operations, materials procured and delivered, and heavy equipment maintained. Contracted logistics provide field commanders with another tool for meeting these needs. If commanders are capped by force-structure limits, they can rely on a contractor that can hire people or award subcontracts to meet basic needs. Thus, field commanders have additional flexibility for accomplishing their mission.

With any military operation, the "five Ps" prevail: *Prior planning prevents poor performance.* The contractor must be integrated into the planning process, or major disconnects will occur during the military operation when it's time to deliver logistics support.

Selecting the Contract Type

When the Army asked the Corps of Engineers to manage the contracting effort for the LOGCAP, the first step was to determine the best contractual vehicle for this logistics support. The Corps determined that a cost contract was the only vehicle flexible and responsive enough to meet the needs of maneuver commanders.

It is instructive to compare a cost contract to a fixed-price instrument. With a fixed-price contract, the price is known (fixed), because the scope of work is relatively well-detailed with no known pricing contingencies. With this much detail, the contractor assumes the cost and performance risks.

With a cost contract, the exact price is not known, because the government cannot completely define the scope of work. The government assumes the cost risk and negotiates an estimated price for the work. The government must pay the contractor until all services are performed or until available funds are expended. However, cost contracts require intensive oversight by the government to identify and constrain scope-of-work creep and cost growth in a timely manner.

In determining the contract type, the government *knew* it required immediate response from the contractor but could not define the scope of work and cost. The government *knew* that the variables would be different for each military operation: number of troops, length of deployment, and actual services required. Because of these variables, the government *knew* it could not apply a cookie-cutter approach to providing logistics support for overseas military operations.

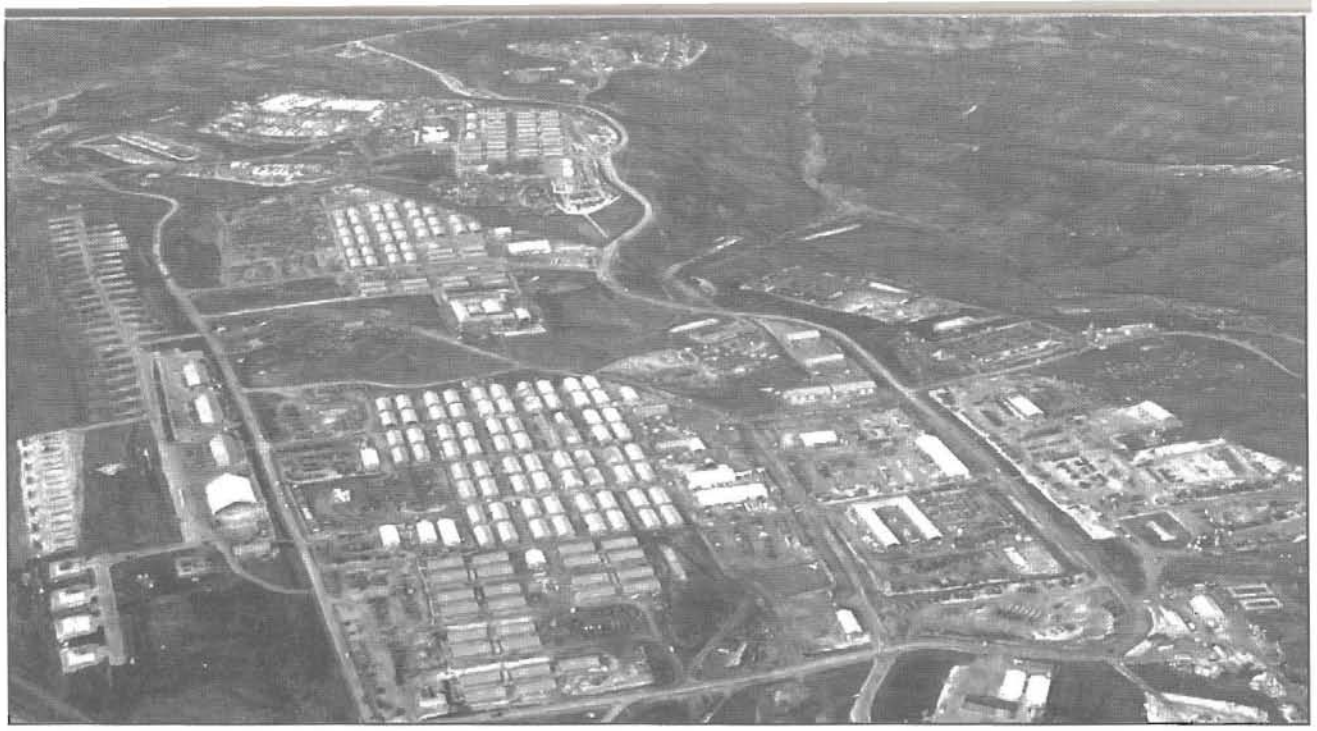
The Corps not only determined that a cost-type contractual vehicle would best suit the needs but also that a self-sufficient contractor with a global presence was required, for the reasons stated earlier. Most critically, this contractor had to have the financial capacity to operate up to 60 days without reimbursement. Since the contractor must respond immediately to an undefined requirement, there was no time to fully define the scope of work nor set up complex financial systems *before* the start of services. Accordingly, the 60-day window allowed time for the cash flow to begin while delivering services immediately to our troops.

The Corps required a self-sufficient contractor for two other reasons:

- Since the Corps sought a contractor to provide this capability, there would be minimal assistance from the government in executing the contractual requirements.
- The contractor would need to develop its own lines of communication and supply and maximize the use of commercial seaports and airfields. This is critical when the government's lift capabilities are consumed in moving the maneuver force into the area of operations.

The Corps developed a generic scope of work for contract performance with five major areas of effort: develop facilities, run supply operations, provide life-support services, perform maintenance, and provide transportation services.

These deliverables have remained constant in the three logistics-support contracts managed by the TAC, two of which have supported Balkans operations solely. In all instances, the



Aerial view of Camp Bondsteel, Kosovo

field commander determines the level of contracted support. Often, as the military footprint reduces during an operation, the contractor will step in to provide still-needed support services. These may include flight-line operations; fire fighting; and reception, staging, and onward movement. While the scope of work was generic, it was written to provide maximum flexibility in meeting the logistics needs—from the basics that have been mentioned to other services, such as mortuary and environmental.

Cost-type contracts carry a number of implications. The government must reimburse all costs incurred by the contractor during the contract performance, provided certain conditions are met; the costs must be reasonable, allocable, and allowable.

- A cost is reasonable if it does not exceed that which a prudent person would incur while conducting a competitive business. What is reasonable depends on a variety of considerations, including whether the cost is recognized as ordinary and necessary for conducting business or for performing tasks under the contract. Does the work meet acceptable sound business practices? Does it meet federal and state laws and regulations? Does the work significantly deviate from the contractor's established practices?
- A cost is allocable if it is incurred specifically for the contract or if it is necessary to the overall operation of the business.
- A cost is allowable if it is reasonable, allocable, meets the terms of the contract, and is not specifically disallowable. Some examples of disallowable costs are those incurred for entertainment, fines and penalties, lobbying, and political activities.

Another critical component of a cost contract is the fee or profit. Within the Department of Defense contracting laws, options exist for these fee payments. A cost contract may have—

- A base fee, no matter how the contractor performs.
- An incentive fee, where the contractor and government have a target cost, and the fee is adjusted up or down based on how close the contractor is to the target.
- An award fee, which is a subjective fee based on a performance evaluation.

The Corps chose to have a low base fee (1 percent) with a higher award fee as an incentive for outstanding performance. Thus, the contractor can earn up to an 8 percent award fee for premium performance. The Corps, in conjunction with the customer (USAREUR DCSLOG), chose the 8 percent award fee to maximize performance.

The contractor is rated three times annually, using a numerical scoring system, with evaluation in three areas: cost control and funds management, performance, and flexibility and coordination. Participating in this process are the end users, the ACOs who direct the work in theater, the contracting officer in the TAC headquarters, and any other customers with significant interaction. The contractor must score above 70 percent to earn an award fee.

Using the Contract

A major concern of the joint-task-force commander is the command and control of the operational elements critical to mission success. In joint operational doctrine, the joint-task-force commander controls all aspects of the operations and the support necessary to ensure success. However, within U.S. military contracting regulations, authority to administer this type of logistics-support contract travels through the contracting chain of the contracting organization to the ACOs in the field. Hence, the operational control and contractual authorities for logistics support flow through two separate chains. They intersect in the theater of operations with the ACOs.

In a sense, the ACOs have two masters to serve. While they must support the task-force commander in the mission accomplishment, they also must administer the contract according to all appropriate laws and regulations. It is necessary that both the maneuver commander and contracting officers understand each others' roles and responsibilities and have an integrated process to resolve conflicts in mission requirements and contractual obligations.

Coordination is key. It is critical that the ACOs communicate directly and frequently with the task-force commander so that the contractual capabilities and the contracting officer's authorities are clearly understood by the maneuver forces. With so many participants, there's plenty of room for misunderstanding, especially in the harried days when a deployment is fresh. For that reason, working a logistics-support contractor into an exercise scenario is an extremely effective way of educating commanders on the capabilities and restrictions of the contractor. In circumstances where the contractor cannot be integrated into exercises, coordination becomes even more critical. Commanders involved with the contract must communicate frequently and fully to mitigate any possible disconnects.

Considering the Cost

Is the flexibility that the Army gains with the Brown & Root logistics-support contract worth the cost of that contract, considering that the Army has spent more than $600 million for contracted logistics support in Kosovo alone?

Advantages. While not an exact comparison, a study by the Logistics Management Institute (based on its examination of contracted logistics support in Bosnia) provides insight. The institute estimated that it would have taken 8,900 support troops to provide the same services that Brown & Root provided with some 6,700 employees for operations in Bosnia. As in previous operations, many of these employees were local nationals. Obviously, it is much cheaper to hire them than it is to keep a soldier on the books full-time with all the necessary support.

Using the logistics-support contract produces other benefits. It helps to avoid mobilizing large numbers of National Guard and Reserve units to support these aspects of deployment missions. In the area of foreign relations, hiring persons on the local economy provides several spin-offs. First, this action immediately starts pumping revenue into the depressed local economies, which in turn provides a favorable impression of the U.S. military presence. Second, with the number of U.S. military troops minimized, there is less of a perception that the country is being occupied.

Disadvantages. While contracting for logistics services provides several economic and political advantages, some drawbacks exist. The U.S. military recognizes and anticipates that contractors will continue to play a critical role on the battlefield; however, this heavy reliance does not necessarily mean that contracted support will be available in all cases. The Army must maintain a capability for operating without contracted logistics support. In a heavy combat environment, the ability of a contractor to move into and operate within the theater of operations will be severely restricted. Likewise, will the contractor be there in a full-scale war? How far can we extend the use of contractors in a hostile environment? And at what point does this option become nonviable?

Two other significant considerations merit mention: First, contracted logistics support requires intense contract administration because the cost risk is on the U.S. government. Second, the United States must provide security for the contractor. This is a recurring contentious issue; maneuver commanders do not want to use their limited combat structure to guard the contractor, and it is usually illegal for the contractor to hire its own security.

Applying Lessons Learned

There are some critical lessons learned from Kosovo that should be applied to subsequent operations. First, it is critical that all agencies and organizations understand their roles, responsibilities, and authorities in the administration of logistics-support contracts. This may be an obvious requirement; however, there is no written doctrine about this type of contract, so many individuals operate from inadequate knowledge or misperceptions generated by experience with fixed-price contracts. When at all possible, these relationships should be established in a working conference before the operation. Also, contracting officers must have considerable experience with cost-type contracts and must understand the fast-paced tempo of contingency operations.

Restrictions in the force structure and the military footprint in many overseas operations make using a logistics-support contractor like Brown & Root almost mandatory. All parties gain by this relationship. The United States is able to leverage the global presence and capabilities of large robust corporations and limit the amount of forces it must devote to the logistical tail of an operation. Corporations gain a very reliable customer (albeit a sometimes difficult one) with a healthy workload. U.S. forces gain an acceptable quality of life at a reasonable cost. The citizens of the United States gain more effective and efficient armed forces supporting democracy around the world.

Colonel Wynn commands the Transatlantic Program Center, U.S. Army Corps of Engineers, Winchester, Virginia. Other Corps assignments include tours with the Seattle, Far East, Honolulu, and Riyadh Districts. He also has served in Korea, Thailand, Honduras, Hawaii, and Saudi Arabia. COL Wynn holds two master of science degrees, one from the University of California at Davis and the other from the Naval War College; and a master of business administration degree from Long Island University. He is a licensed professional engineer in Virginia.