

The Private Sector Does It Better? Neo-Liberalism, Contractors and the Australian Department of Defence¹

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This article argues that the adoption of neo-liberalist ideology and the assumptions of this ideology were the driving force behind the increased use of contractors by Australia's Department of Defence (DoD). The initiatives of federal governments since the Hawke Government will be examined, including the impact of these initiatives on the size of the DoD and recent Australian Defence Force (ADF) operations overseas. While contracting has enabled the DoD to fill gaps in its in-house capabilities, the efficiency and effectiveness that is assumed by neo-liberalists to come from utilising the private sector has not always been realised.

The recent conflicts in Afghanistan and Iraq have highlighted how integral contractors from the private sector have become to US military operations. At times, contractors for the US Department of Defense equalled the number of US troops in Iraq and exceeded the number of US troops in Afghanistan.² This unprecedented use of contractors, coupled with controversies surrounding their behaviour, has attracted substantial academic interest.³ Despite the growing literature, Australia's use of contractors, specifically by

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² Eugenio Cusumano, 'Bridging the Gap: Mobilisation Constraints and Contractor Support to US and UK Military Operations', *Journal of Strategic Studies*, vol. 39, no. 1 (2016), p. 100.

³ See, for example, Peter W. Singer, 'Can't Win with 'Em, Can't Go to War without 'Em: Private Military Contractors and Counterinsurgency', Brookings Policy Paper No. 4 (September 2007), <www.brookings.edu/wp-content/uploads/2016/06/0927militarycontractors.pdf> [accessed 1 March 2017]; Deborah D. Avant, *The Market for Force: The Consequences of Privatizing Security* (Cambridge: Cambridge University Press, 2005); D. Avant and L. Sigelman, 'Private Security and Democracy: Lessons from the US in Iraq', *Security Studies*, vol. 19, no. 2 (2010), pp. 230-65; D.D. Avant and R. de Nevers, 'Military Contractors and The American Way of War', *Dædalus—The Journal of the American Academy of Arts & Sciences*, vol. 140, no. 3 (2011), pp. 88-99; David M. Barnes, 'Should Private Security Companies Be Employed for Counterinsurgency Operations?', *Journal of Military Ethics*, vol. 12, no. 3 (2013), pp. 201-24; Thomas C. Bruneau, 'Contracting Out Security', *Journal of Strategic Studies*, vol. 36, no. 5 (2013), pp. 638-65; David Isenberg, *Shadow Force: Private Security Contractors in Iraq* (Santa Barbara: Praeger Security International, 2008); Sean McFate, *The Modern Mercenary: Private Armies and What They Mean for World Order* (New York: Oxford University Press, 2014); P. W. Singer, *Corporate Warriors: The Rise of the Privatized Military Industry* (Ithaca: Cornell University Press, 2008).

the Department of Defence (DoD), has received limited attention.⁴ This article aims to address this, contending that the adoption of neo-liberalist ideology, and its assumptions regarding the private sector being more effective and efficient in the delivery of services, was the driving force behind the increased use of contractors within the DoD.

This article uses the broad term of 'contractors'. For our purposes, contractors are personnel from private sector companies that have a contract with the DoD to provide a particular function or service for a specified period of time. There are a wide variety of functions and services that are contracted, from laundry services through to the maintenance of weapon systems. I do not seek to categorise them by their functions (e.g. combat vs non-combat) or the nature of the provider (e.g. "private military company", "private security company", or an integration of the two—"private military and security company").⁵ These categories can be fraught with challenges given the lack of clearly defined boundaries of each category; for example, the distinction between a private military company and a private security company.⁶ While some source material used in this article use these categories, I will refer to them all broadly as contractors.

The first section of this article will briefly outline the assumptions of neo-liberalism that are relevant to explaining contracting by the DoD. In the second section, there will be an outline of the functions and services that contractors provide. A brief overview of contractors used by the military under Australian and international law is the focus of the third section. The fourth section explains the challenge associated with ascertaining how many contractors the DoD uses. The neo-liberalist initiatives of the Hawke, Keating and Howard governments and the push for greater use of the private sector to support the DoD will be examined in the fifth section. The sixth section highlights the impact of these initiatives on the DoD and shortcomings in the DoD's approach to these initiatives that acted to undermine private sector involvement equating to greater efficiency and effectiveness. The subsequent section examines how subsequent federal governments, specifically the Rudd Government, have been more cautious of using contractors based on the efficiency and effectiveness assumptions of neo-liberalism. The impact of neo-liberal initiatives on Australian Defence Force

⁴ Mark Thomson, *War and Profit: Doing Business on the Battlefield* (Canberra: Australian Strategic Policy Institute, March 2005), <s3-ap-southeast-2.amazonaws.com/ad-aspi/import/20937-ASPI-War-and-Profit.pdf?Fu9TVnkqmEuE11tu3pHBnWD9tkkxtJnR> [Accessed 21 August 2017]; Tim McCormack, *PRIV-WAR Report: Australia*, Australian Report on National Legislation and Judicial Practice, National Reports Series 10/09 (20 May 2009), <psm.du.edu/media/documents/reports_and_stats/think_tanks/privwar_national-report_mccormack.pdf> [Accessed 3 March 2017]; Kim Sorensen, 'To Leash or Not to Leash the Dogs of War?: The Politics of Law and Australia's Response to Mercenarism and Private Military and Security Companies', *Adelaide Law Review*, vol.36, no. 2 (2015), pp.405-57.

⁵ Sarah Percy, 'Regulating the Private Security Industry: A Story of Regulating the Last War', *International Review of the Red Cross*, vol. 94, no. 887 (2012), p. 943.

⁶ *Ibid.*, p. 943.

(ADF) operations overseas and the challenges involved in contractors supporting ADF combat personnel will be the focus of the final section.

Neo-liberalism

While a detailed examination of neo-liberalism is beyond the scope of this article, some key points need to be highlighted to provide a framework for the following analysis. Neo-liberalism was adopted by the Thatcher Government (Britain) and Reagan Administration (United States) during the 1980s as a means of spurring domestic economic growth. A central assumption of neo-liberalism is that if a function or service can be delivered by either the state or the private sector, the latter will deliver the function more effectively and efficiently due to the presence of competition inherent in the private sector.⁷ When the state is the sole provider of a function and competition is absent, there is no incentive for it to deliver that function more effectively and efficiently.⁸ Therefore, state functions should be minimised to those that it must provide and cannot transfer to the private sector. In Australia, there is reference to “core” in the context of defence,⁹ but core has been interpreted narrowly, as is highlighted later in this article. The remaining functions should be privatised, competitively sourced or outsourced. First, when the state elects to pursue privatisation, it will sell either part or the entire asset involved in the provision of a function to the private sector.¹⁰ Secondly, competitive sourcing (also known as ‘Competitive tendering’) involves a government department putting a service currently provided by public servants up for potential private sector delivery, requesting proposals for its provision and then using these proposals in order to select a provider that best meets its needs.¹¹ However, competitive sourcing does not necessarily mean the function or service will be transferred. The private sector may lack the skills to provide the service or may not be able to deliver it as efficiently and effectively as the public sector.

⁷ Robert Manne, ‘Is Neo-Liberalism Finished? 2009 Quarterly Essay Lecture’, *Quarterly Essay*, vol. 36 (2009), p. 74; Georg Menz, ‘Neo-liberalism, Privatization and the Outsourcing of Migration Management: A Five-Country Comparison’, *Competition and Change*, vol. 15, no. 2 (2011), p. 119; Virginia Newell and Benedict Sheehy, ‘Corporate Militaries and States: Actors, Interactions, and Reactions’, *Texas International Law Journal*, vol. 41, no. 67 (2006), p. 82; David Harvey, *Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), p. 76 (ProQuest Ebook Central).

⁸ Menz, ‘Neo-liberalism, Privatization and The Outsourcing of Migration Management’, p. 119; Manne, ‘Is Neo-Liberalism Finished?’, p. 74.

⁹ Australian National Audit Office, *Commercial Support Program: Department of Defence*, Audit Report No. 2, Performance Audit (Canberra: the Office, 1998), p. 15 at 19, <www.anao.gov.au/sites/g/files/net616/ff/anao_report_1998-99_02.pdf> [Accessed 4 March 2017].

¹⁰ Jean-Pierre Dupuis, ‘Privatisation and Nationalisation’, Paper Presented at the Fourth Meeting of the Task Force on Harmonization of Public Sector Accounting (TFHPSA)—Hosted by the International Monetary Fund, Washington DC, 3-6 October 2005, p. 4 at 5-8, <www.imf.org/external/NP/sta/tfhpsa/2005/09/pandn.pdf> [Accessed 10 June 2017].

¹¹ Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies: Overview*, Report No. 48 (Melbourne: Australian Government Printing Service, 24 January 1996), p. xix, <www.pc.gov.au/inquiries/completed/public-service-tenders-contracts/48ctcpsa.pdf> [Accessed 20 January 2017].

Therefore, the transfer of a function away from its optimal provider (public servants) to less optimal providers (the private sector) is avoided. It may also be used as a means of pushing the public sector to perform better by way of opening the door, albeit slightly, to potential competition.¹² Outsourcing differs from competitive sourcing in that the process of seeking tenders from a number of potential private sector providers is not required as an initial step to shifting service provision from the public sector to a private sector provider.¹³ Given that competitive sourcing can take time, outsourcing can be utilised when there is a more immediate need for the service. Outsourcing can be somewhat inconsistent with neo-liberalist ideology, as the benefits of market competition with respect to price and quality can be subverted. Nevertheless, outsourcing is still favourable to neo-liberalists when compared to public sector provision of a service. Unlike privatisation, competitive sourcing and outsourcing do not see a transfer of assets, only of function or service provision, and can be reversed (in-sourcing) once the contract with the existing private provider expires.

What Functions and Services Do Contractors Provide?

Contractors offer a broad spectrum of non-combat services to the DoD, with some companies able to fulfil multiple services as part of the contract. These include, but are not limited to, contracting for services in the areas of upkeep of vehicles and aircraft (such as Blackhawk helicopters¹⁴ and C-130H Hercules),¹⁵ troop and hardware transportation,¹⁶ fuel provision, training, catering, weapon system upgrades, reconfigurations and other ongoing support,¹⁷ cleaning services,¹⁸ and construction.¹⁹ By 2011,

¹² P.D. Steane and D.H.T. Walker, 'Competitive Tendering and Contracting Public Sector Services in Australia—A Facilities Management Issue', *Facilities*, vol. 18, no. 5-6 (2000), p. 245.

¹³ Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, p. xix.

¹⁴ Department of Defence, *Defence Annual Report 2015-16*, vol. 1, *Performance, Governance and Accountability* (Canberra: Commonwealth of Australia, 2016), p. 34, <www.defence.gov.au/annualreports/15-16/Downloads/DAR_2015-16_Vol1.pdf> [Accessed 9 March 2017].

¹⁵ Geoff Wade, 'Further Defence Tasks Outsourced', *The Strategist*, Australian Strategic Policy Institute, 13 March 2014, <www.aspistrategist.org.au/further-defence-tasks-outsourced/> [Accessed 1 March 2017].

¹⁶ Toll Holdings Limited, 'Toll Flies Defence Teams to Middle East', n.d., <www.tollgroup.com/case-study/toll-flies-australian-defence-force-teams-to-middle-east> [Accessed 15 February 2017].

¹⁷ Department of Defence, *Defence 2000: Our Future Defence Force* (Canberra: Commonwealth of Australia, 2000), p. 101 at 9.15, <<http://www.defence.gov.au/publications/wpaper2000.pdf>> [Accessed 15 February 2017]. This has included aviation training; see Department of Defence, *Defence Annual Report 1997-98* (Canberra: Commonwealth of Australia, 1998), p. 18, <www.defence.gov.au/AnnualReports/97-98/full.pdf> [Accessed 15 February 2017].

¹⁸ Department of Defence, *Defending Australia: Defence White Paper 1994* (Canberra: Commonwealth of Australia, 1994), p. 55 at 5.82, <www.defence.gov.au/Publications/wpaper1994.pdf> [Accessed 10 March 2017].

¹⁹ Alex Gerrick, *The Proliferation of Private Armies and Their Impact on Regional Security and the Australian Defence Force*, Shedden Papers (Canberra: Centre for Defence and Strategic Studies, Australian Defence College, 2008), p. 13, <www.defence.gov.au/ADC/Publications/>

logistical support for the ADF had become the realm of contractors at the expense of internal capability.²⁰

The DoD's use of the most controversial type of contractors, armed security contractors, is not completely clear. While contractors provide static security services at ADF bases in Australia,²¹ it is difficult to determine what role they play in overseas operations. In 2009, it was reported that the ADF in Afghanistan had obtained support from a local militia, the Kandak Amnianta Uruzgan, in order to secure logistical supply lines for the ADF and Dutch forces in southern Afghanistan.²² However, it is unclear whether the ADF was paying the group²³ thereby entering into a commercial arrangement. James Brown contends that security contractors have been used by the ADF overseas but does not elaborate beyond "support to ADF operations in conflict zones".²⁴ Ascertaining the true extent of DoD contracting is further complicated by numerous contracts being excluded from public disclosure on the grounds of national security.²⁵

Contractors under Australian and International Law

When a function that was previously performed by the public servants is shifted to the private sector, there invariably arises the question of oversight and regulation. The widespread use of contractors in Afghanistan and Iraq sparked considerable amounts of literature on how to go about regulating contractors and how they fit into existing international legal frameworks.²⁶ A

Shedden/2008/Publctns_ShedPaper_050310_TheProliferationofPrivateArmies.pdf> [Accessed 1 February 2017].

²⁰ Vice Chief of the Defence Force, 'Defence Logistics Transformation Program: Industry Briefing', Joint Logistics Command, Department of Defence, 18 April 2011, slide 15, <www.defence.gov.au/jlc/Documents/DLTP%20Industry%20Briefing%20Apr%202011.pdf> [Accessed 1 March 2017].

²¹ Phillip Thomson, 'Defence Pulls AFP from Military Bases', *Canberra Times*, 24 November 2013, <www.canberratimes.com.au/act-news/defence-pulls-afp-from-military-bases-20131123-2y301.html> [Accessed 3 February 2017].

²² Mark Dodd and Jeremy Kelly, 'ADF Plays Down Warlord's Role on Crucial Supply Chain', *The Australian*, 28 April 2009, <archive.fo/dOp6> [Accessed 15 February 2017].

²³ *Ibid.*

²⁴ James Brown, *Privateers in Australia's Conflict and Disaster Zones*, Civil-Military Occasional Papers 1/2015 (Australian Civil-Military Centre, 2015), p. 5, <www.acmc.gov.au/wp-content/uploads/2015/06/1-2015-Privateers-in-Australias-Conflict-and-Disaster-Zones.pdf> [Accessed 25 January 2017]. Quote reproduced pursuant to Creative Commons 3.0 License, <<https://creativecommons.org/licenses/by/3.0/au/legalcode>>.

²⁵ Department of Defence, *Defence Annual Report 2013-14*, vol. 1, *Performance, Governance and Accountability* (Canberra: Commonwealth of Australia, 2014), p. 172, <www.defence.gov.au/annualreports/13-14/DAR_1314_V1.pdf> [Accessed 9 March 2017].

²⁶ For example, see Percy, 'Regulating the Private Security Industry', pp. 941-60; Emanuela-Chiara Gillard, 'Business Goes to War: Private Military/Security Companies and International Humanitarian Law', *International Review of the Red Cross*, vol. 88, no. 863 (2006), pp. 525-72; A. Grayson Irvin, 'Rethinking the Role and Regulation of Private Military Companies: What the United States and United Kingdom Can Learn from Shared Experiences in the War on Terror', *Georgia Journal of International and Comparative Law*, vol. 39, no. 2 (2011), pp. 445-70;

comprehensive consideration of Australian law in this context is beyond the scope of this article and has been provided by scholars such as Mark Thomson,²⁷ Tim McCormick²⁸ and Kim Sorenson.²⁹ Nevertheless, a few important issues highlighted in these works should be noted here. First, the Australian Parliament has not sought to implement legislation with the sole purpose of regulating contractors that provide services such as those noted in the previous section.³⁰ Consequentially, McCormack contends that a key means of facilitating contractor compliance is by guaranteeing that the manner in which contractors compete for the contract operates effectively.³¹ Sorensen notes that contractors on support operations can be accountable under the disciplinary system applying to uniformed personnel, but this requires contractors to elect to be covered.³² Thomson highlights that if contractors deployed with the ADF overseas are also able to fall under Australia's Status of Forces Agreement with the host country, or alternatively are deployed with the ADF to a country with inadequate regulatory measures in place, they can avoid accountability for their actions.³³ While Australia has backed *The Montreux Document*, a recent international initiative aimed ensuring that the private military and security companies and the states they work for adhere to international law,³⁴ this has not manifested in the form of attempts at new domestic means of control.³⁵

How Many Contractors Does the DoD Use?

In examining the number of contractors the DoD uses, there are some important issues to highlight. First, the author was unable to discover figures regarding the use of contractors prior to the early 2000s. This means that contractor numbers during the Hawke and Keating eras cannot be determined and only the latter half of the Howard Government's period can be ascertained. Secondly, the differing classifications used by the DoD means personnel that form part of "capability partnerships", who appear to

Christopher Kinsey, 'Private Military Companies: Options for Regulation', *Conflict, Security & Development*, vol. 2, no. 3 (2002), pp.127-37.

²⁷ Thomson, *War and Profit: Doing Business on the Battlefield*.

²⁸ McCormack, *PRIV-WAR Report Australia: Australian Report on National Regulation and Judicial Practice*.

²⁹ Sorensen, 'To Leash or Not to Leash the Dogs of War?'

³⁰ McCormack, *PRIV-WAR Report Australia: Australian Report on National Regulation and Judicial Practice*, p. 8.

³¹ *Ibid.*, p. 8.

³² Sorensen, 'To Leash or Not to Leash the Dogs of War?', pp. 441-42.

³³ Thomson, *War and Profit: Doing Business on the Battlefield*, p. 46.

³⁴ Swiss Federal Department of Foreign Affairs and the International Committee of the Red Cross, *The Montreux Document: On Pertinent International Legal Obligations and Good Practices for States Related to Operations of Private Military and Security Companies During Armed Conflict* (17 December 2008), <www.icrc.org/eng/assets/files/other/icrc_002_0996.pdf> [Accessed 1 June 2017].

³⁵ Sorensen, 'To Leash or Not to Leash the Dogs of War?', p. 452.

be contracted personnel, are excluded.³⁶ Thirdly, Thomson notes the significant discrepancy between contractor figures; for example, the numbers of 2,720 and 377 were both reported during 2012.³⁷

Drawing on available data, Thomson put the number of “contractors” (also referred to as “Professional Service Providers”³⁸) at 2,311 in 2002-03, with contractor numbers generally declining since that time but for two spikes.³⁹ The first was from 801 in 2007-08 to 1,184 in 2008-09.⁴⁰ The second was highlighted in the recent *Portfolio Budget Statements 2017-2018* which put the number of DoD contractors at 2,087,⁴¹ a four-fold increase from the previous year of 490.⁴² While it would be logical to assume the demand for the services of contractors has increased, in reality it is the result of changes in the way in which the DoD classifies its workforce.⁴³ Thomson emphasises the need for greater clarity in publicly disclosed figures for the sake of credibility and reliability with respect to DoD personnel numbers.⁴⁴

Putting Neo-liberalism into Practice: the Hawke, Keating and Howard Governments

The Hawke and Keating governments’ adoption of neo-liberalism signified an approach to government traditionally associated with the conservative Liberal and National parties, a particularly significant shift when compared to the social initiatives of Australia’s previous Labor Prime Minister Gough Whitlam.⁴⁵ In the context of defence, the initial focus was the privatisation of state assets. Mark Thomson points to the Hawke Government’s decision to

³⁶ Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2015-2016*, Australian Strategic Policy Institute (2015), p. 64, <s3-ap-southeast-2.amazonaws.com/ad-aspi/import/ASPI-Cost-of-Defence-2015.pdf?KGhVaZAZCafyZmagTC8QU9DMefZPKNF9> [Accessed 24 August 2017].

³⁷ *Ibid.*, p. 64.

³⁸ Mark Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2016-2017*, Australian Strategic Policy Institute (2016), p. 73, <s3-ap-southeast-2.amazonaws.com/ad-aspi/import/Cost_of_Defence_2016.pdf?JIZR8e0a3F2qQ1ODu5s5ld4EKIWvkZ_H> [Accessed 24 August 2017].

³⁹ Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2015-2016*, p. 50.

⁴⁰ *Ibid.*, p. 50.

⁴¹ Department of Defence, *Portfolio Budget Statements 2017-18: Budget Related Paper No. 1.4A*, Defence Portfolio, Budget Initiatives and Explanations of Appropriations Specified by Outcomes and Programs by Entity (2017), p. 24, <www.defence.gov.au/Budget/17-18/2017-18_Defence_PBS_00_Complete.pdf> [Accessed 1 July 2017].

⁴² Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2016-2017*, p. 60.

⁴³ Department of Defence, *Portfolio Budget Statements 2017-18: Budget Related Paper No. 1.4A*, p. 24.

⁴⁴ Thomson, *The Cost of Defence: ASPI Defence Budget Brief 2015-2016*, pp. 64-65.

⁴⁵ Peter Fairbrother, Stuart Svensen and Julian Teicher, ‘The Ascendancy of Neo-Liberalism in Australia’, *Capital and Class*, no. 63 (1997), p. 4; Lionel Orchard, ‘Managerialism, Economic Rationalism and Public Sector Reform in Australia: Connections, Divergences, Alternatives’, *Australian Journal of Public Administration*, vol. 57, no. 1 (1998), p. 21; John Quiggin, ‘Economic Policy’, in Robert Manne (ed.), *The Howard Years* (Melbourne: Black Inc. Agenda, 2004), p. 174.

privatise “naval shipyards and munitions and aircraft factories”.⁴⁶ *The Defence Force and the Community: A Partnership in Australia’s Defence* (1990 Report) considered the greater utilisation of civilians to support the ADF in the execution of its duties. The 1990 Report cited “the ADF’s doctrine of military self-sufficiency” as the reason why soldiers did jobs that people working outside the armed forces also had the skills to do.⁴⁷ However, this approach was undermining productivity and ADF personnel should be focused on those roles that cannot be fulfilled by civilians.⁴⁸ As a consequence, the Commercial Support Program (CSP) was developed,⁴⁹ also serving as a means of reconfiguring defence expenditure to enable the DoD to invest in new hardware⁵⁰ and cut costs associated with support functions.⁵¹ According to the DoD, “[t]he program ... [was] to maximise the use of civilian infrastructure by contracting out support services suitable for market testing where it is operationally feasible, a viable market exists and industry can demonstrate better value for money”.⁵² If there were no restrictions in place preventing a service from being provided by the private sector, this service could be deemed “non-core” and therefore subject to testing.⁵³ If the DoD deemed the function non-core, the function was subject to competitive sourcing, with the guiding factor being “best value for money”,⁵⁴ meaning that the cheapest provider was not guaranteed of being awarded the contract. According to the *Defending Australia: Defence White Paper 1994*, the early results for the CSP were promising and consistent with the recommendations of the 1990 Report, leading to the redirection of both ADF and DoD staff to “operational capabilities” and cuts in expenditure.⁵⁵

While an initiative of the Hawke and Keating Labor governments, the CSP found favour with the conservative Howard Government that came to power

⁴⁶ Thomson, *War and Profit: Doing Business on the Battlefield*, p. 7.

⁴⁷ Alan K. Wrigley, *The Defence Force and the Community: A Partnership in Australia’s Defence* (extract only), Report to the Minister of Defence by AK Wrigley (Canberra: Australian Government Publishing Service, June 1990), pp. 493-94.

⁴⁸ *Ibid.*, p. 494.

⁴⁹ Henry Ergas and Mark Thomson, ‘More Guns Without Less Butter: Improving Australian Defence Efficiency’, *Agenda*, vol. 18, no. 3 (2011), p. 36, <press-files.anu.edu.au/downloads/press/p156281/pdf/ch032.pdf> [Accessed 4 June 2017].

⁵⁰ Allan Shephard, *The Defence Commercial Support Program: Saving \$200 Million a Year for Defence Procurement?*, Parliamentary Research Service, Research Paper No. 2 (1993), p. ii, <www.aph.gov.au/binaries/library/pubs/rp/1993/93rp02.pdf> [Accessed 10 March 2017].

⁵¹ Department of Defence, *Defence Annual Report 1999-2000* (Canberra: Commonwealth of Australia, 2000), p. 89, <www.defence.gov.au/AnnualReports/99-00/full.pdf> [Accessed 10 March 2017].

⁵² Department of Defence, *Defence Annual Report 1999-2000*, p. 89.

⁵³ Department of Defence, *Defending Australia: Defence White Paper 1994*, p. 119 at 11.29.

⁵⁴ *Ibid.* The CSP’s tests are similar to those announced by then US Secretary of Defense Donald Rumsfeld in 2001 with respect to the US Department of Defense: see US Department of Defense, *Quadrennial Defense Review Report* (30 September 2001), <history.defence.gov/Portals/70/Documents/quadrennial/QDR2001.pdf?ver=2014-06-25-110946-823> [Accessed 9 March 2017].

⁵⁵ Department of Defence, *Defending Australia: Defence White Paper 1994*, p. 119 at 11.28.

in 1996, and the process continued. This is not surprising, given that the CSP was inspired by neo-liberalism and Howard revered Thatcher and her approach to government.⁵⁶ In addition to the CSP, the Howard Government commenced the Defence Reform Program (DRP) in 1997, pushing for an increasing number of ADF functions to be seen as non-core so that ADF numbers could be cut from 56,600 to 50,000, while also undertaking a restructuring that emphasised the ADF being focused on combat.⁵⁷ As part of this push for greater private sector involvement, a contractor could perform a function that would have otherwise been classified as a core DoD function if the DoD concluded the contractor could provide the function to a level adequate to meet the requirements of the ADF.⁵⁸

Neo-liberalism's impact on the DoD

The CSP and DRP had a significant impact on the degree to which the DoD relied on contractors for the provision of certain functions. The CSP's implementation saw deep cuts to the DoD in the pursuit of savings while the DRP enabled an increased proportion of ADF to be focused on combat while at the same time enabling overall troop numbers to be cut. Examining the impact of the CSP up to 2005 in terms of uniformed and civilian personnel, Thomson states:

[o]ver the past fourteen years, almost 16,000 civilian and military positions have been systematically market tested against commercial alternatives by the Commercial Support Program. As a result, 66% of activities tested have been moved to commercial contracts.

These changes account, in large measure, for the dramatic reduction in the size of the Defence workforce. Since the mid-1980s the number of civilians has fallen by 55% from around 40,000 to just over 18,000, while the number of uniformed personnel has dropped by 25% from around 70,000 to just over 52,000. This reduction has been accompanied by a corresponding increase in Defence's dependence on the private sector.⁵⁹

A review of the DRP by the Australian National Audit Office (ANAO) states that the DoD claimed "the DRP has assisted in raising the proportion of ADF personnel in combat and combat-related positions from 42 per cent in 1996

⁵⁶ Tim Stanley, 'John Howard: Margaret Thatcher Was My "Guiding Light"', *The Telegraph*, 17 June 2014, <www.telegraph.co.uk/news/politics/thatcher-conference-liberty/10905815/John-Howard-Margaret-Thatcher-was-my-guiding-light.html> [Accessed 1 March 2017].

⁵⁷ Australian National Audit Office, *Defence Reform Program Management and Outcomes: Department of Defence*, Audit Report No.16, Performance Audit (2001-2002), p. 37 at 3.19, <www.anao.gov.au/sites/g/files/net616/f/anao_report_2001-2002_16.pdf> [Accessed 13 February 2017]; Australian National Audit Office, *Commercial Support Program: Department of Defence*, pp. 15-16 at 19.

⁵⁸ Australian National Audit Office, *Commercial Support Program: Department of Defence*, p. 15 at 19.

⁵⁹ Thomson, *War and Profit: Doing Business on the Battlefield*, pp. 7-8.

to 62 per cent in 2001”, thereby significantly contributing to ADF personnel being able to focus on core functions.⁶⁰

However, both programs suffered from problems, including ones that undermined their purpose and highlighted that private sector provision does not automatically deliver greater efficiency and effectiveness. Initially the CSP was criticised for its impact on ADF personnel, such as eroding in-house capabilities.⁶¹ After several years in operation, the ANAO undertook a review of the program, with its criticisms focused on the DoD not setting up an internal system that enabled the CSP to be executed efficiently and effectively. The ANAO found that private sector providers were not held to the price put forward in their tender, thereby facilitating a system of lowballing.⁶² This was not assisted by the problems the DoD had in being able to accurately describe what it required from potential providers (known as a ‘Statement of Requirement’).⁶³ While a valid criticism, it is unrealistic to always know what will be required in certain situations such as overseas deployments, which may only become clear once the ADF is deployed and needs can be surveyed.⁶⁴ Indeed, if looking at the issue through the lens of influential economist Ronald Coase⁶⁵ the approach of the DoD was merely good business practice. Given that they cannot control how and when events will occur during the life of a given contract, Coase contends that purchasers such as the DoD should seek to ensure their flexibility is maximised in order to respond to changes in the future.⁶⁶ The utilisation of competitive sourcing of non-core functions was not assisted by a lack of clarity regarding what functions were deemed core by the ADF.⁶⁷ The DoD conceded that improvements to the CSP were needed to improve the quality of its delivery but it maintained that ““structur[ing] the Defence Force to deliver Defence capability”” took precedence over structuring to assist in the execution of the CSP.⁶⁸ The ANAO’s Review of the DRP following the end of the DRP in 2001 highlighted problems surrounding its execution⁶⁹ but the

⁶⁰ Australian National Audit Office, *Defence Reform Program Management and Outcomes: Department of Defence*, p. 13 at 11.

⁶¹ Shephard, *The Defence Commercial Support Program: Saving \$200 Million a Year for Defence Procurement?*, p. iii.

⁶² Australian National Audit Office, *Commercial Support Program: Department of Defence*, p. 16 at 20.

⁶³ *Ibid.*, p. 14 at 14.

⁶⁴ David Saul, “‘Hardened, Networked ... and Commercially Capable’: Army and contractor support on operations”, *Australian Army Journal*, vol. 4, no. 3 (2007), p. 110.

⁶⁵ Ronald H. Coase, ‘The Nature of the Firm’, *Economica*, vol. 4, no. 16 (1937), pp. 386-405.

The author thanks Mark Thomson from the ASPI for directing the author to this highly influential work.

⁶⁶ *Ibid.*, pp. 391-92.

⁶⁷ Australian National Audit Office, *Commercial Support Program: Department of Defence*, p. 15 at 16-18.

⁶⁸ *Ibid.*, p. 19 at 28.

⁶⁹ Australian National Audit Office, *Defence Reform Program Management and Outcomes: Department of Defence*, p. 12 at 4-8.

lack of suggestions for improvement⁷⁰ were presumably because the DRP had been wound up some 15 months earlier albeit active reforms that now fell under the CSP.⁷¹

After the CSP and DRP: Finding the right balance

The CSP was wound up in 2006 but for “[a]ny CSP initiatives underway at 29 June 2006” when the Defence Collective Agreement 2006-2009 (DCA 2006-2009) came into effect.⁷² Under the DCA 2006-2009 there would be greater attempts to fulfil needs in-house by way of “[r]e-engineering and/or restructuring” before looking to potential private sector involvement.⁷³ While restructuring is a well-known concept, re-engineering is a means of top-down reform that entails examining what the provider is seeking to achieve, which services are provided and how they are provided, and how the needs of clients are addressed in an effort to significantly improve efficiency and effectiveness.⁷⁴ Interestingly, while the DCA 2006-2009 clearly obstructed the push for a smaller public sector, it came into effect during the Howard Government’s tenure.

Kevin Rudd was elected Prime Minister of Australia in 2007, ending John Howard’s eleven years in power. Building on the DCA 2006-2009, the Rudd Government’s approach to defence reflected a selective adoption of the neo-liberal approach. With only about one in every five ADF personnel in non-combat roles, the ADF would continue to maintain a combat focus as a means of maintaining and developing its capabilities⁷⁵ and would therefore continue to require civilian support in non-combat roles, but this support was to come more from DoD civilians. The Defence White Paper released in 2009, *Defending Australia in the Asia Pacific Century: Force 2030*, notes that “non-deployable contractors” were proving to be “on average around 15-40 per cent more” expensive than having a comparable civilian employee

⁷⁰ Department of Defence, *Defence Annual Report 2001-02* (Canberra: Commonwealth of Australia, 2002), p. 57, <www.defence.gov.au/AnnualReports/01-02/full.pdf> [Accessed 15 June 2017].

⁷¹ Department of Defence, *Defence Annual Report 2002-03* (Canberra: Commonwealth of Australia, 2003), p. 360, <www.defence.gov.au/AnnualReports/02-03/pdf/dar0203full.pdf> [Accessed 15 June 2017].

⁷² Department of Defence, ‘Chapter 2 Part 3 Section 2 – Introduction of Change’, *Defence Workplace Relations Manual* (Canberra: Commonwealth of Australia, 16 November 2007), cl. 2.3.2.5, <www.defence.gov.au/payandconditions/aps/DWRM/DW_02_03_02_change.htm> [Accessed 1 March 2017].

⁷³ *Ibid.*, cl. 2.3.2.5.

⁷⁴ United States General Accounting Office, *Business Process Reengineering Assessment Guide*, Version 3, GAO/AIMD-10.1.15 (May 1997), pp. 5-6, <www.gao.gov/assets/80/76302.pdf> [Accessed 30 July 2017].

⁷⁵ Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030* (Canberra: Commonwealth of Australia, 2009), p. 117 at 14.25, <www.defence.gov.au/whitepaper/2009/docs/defence_white_paper_2009.pdf> [Accessed 1 February 2017].

undertake the task.⁷⁶ However, it is unclear what data was used as part of the calculation. Reducing the costs associated with contracted support formed part of the Rudd Government's DoD Strategic Reform Program (SRP). Contracted positions that were proving to be costly would be insourced to DoD civilians, while functions not requiring the abilities of the uniformed workforce would also be shifted to DoD civilians so that the ADF could focus on those functions that it must perform.⁷⁷ During 2010 the DoD reported that the SRP would see over 300 positions insourced to DoD civilian staff, with the potential for some 700 positions in total.⁷⁸ In addition to insourcing, there would be internal shifts within the DoD that would see up to 600 positions transferred from ADF personnel to DoD civilians in an effort to save some \$400 million.⁷⁹ Yet at the same time the White Paper stated that as part of the DoD being able to meet challenges that there would need to be an increase in the number of contractors and DoD civilians by 2019 to around 22,000 (as well as an increase in the size of the ADF to just under 58,000).⁸⁰ However, these were not inconsistent measures. Contractors would be retained to cope with operational shortcomings stemming from a lack of in-house capability while being cut in those areas where in-house provision was more cost efficient.⁸¹ In regard to those areas in which contracted support would remain in place, such as certain "maintenance and supply-chain processes", there would be a push for greater efficiency and output in the delivery of these services.⁸² A key product of the SRP from a logistics standpoint was the introduction of the Defence Logistics Transformation Program (DLTP). The DLTP's website states:

[t]he Defence Logistics Transformation Program (DLTP) was established to modernise and enhance Defence's warehousing and distribution functions to provide optimum support to Defence operations. This transformation has seen the Defence Integrated Distribution System (DIDS) contract and other local logistics services contracts replaced by two new national base logistics services contracts.⁸³

The two contracts went to Linfox Australia Pty Ltd and Transfield Services (Australia) respectively during 2013.⁸⁴ The infrastructure to support the DLTP was to be completed by the end of 2016.⁸⁵ It is not clear if this was

⁷⁶ Ibid., p. 117 at 14.24.

⁷⁷ Ibid., p. 111 at 13.25 and p. 118 at 14.31.

⁷⁸ Department of Defence, *The Strategic Reform Program: Making it Happen* (Canberra: Commonwealth of Australia, 2010), p. 18, <www.defence.gov.au/publications/Docs/srp.pdf> [Accessed 4 February 2017].

⁷⁹ Ibid., p. 18.

⁸⁰ Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, p. 113 at 14.1.

⁸¹ Ibid., p. 117 at 14.22.

⁸² Ibid., p. 126 at 16.11.

⁸³ Vice Chief of the Defence Force Group, 'Defence Logistics Transformation Program', Department of Defence, n.d., <www.defence.gov.au/jlc/dltp/> [Accessed 20 March 2017].

⁸⁴ Ibid..

⁸⁵ Ibid.

realised. While Waters and Blackburn concede that the DLTP has focused the DoD on improving logistical capabilities, they are critical of the difference between what was proposed and what was implemented, the latter not meeting the threshold of what constitutes a “transformation”.⁸⁶ In reality the changes were limited to “warehouse storage and distribution, land materiel maintenance, and automated identification technologies”, a notable shift from what was initially seen as a program entailing comprehensive change regarding how ADF logistics operated.⁸⁷

The subsequent Gillard Government’s *Defence White Paper 2013* was consistent with the approach of the Rudd Government, indicating that the DoD would reduce its use of contractors as part of additional restructuring, with cuts to both DoD civilian and contracted personnel by some 1,700 positions by 2023 as part of measures to improve service delivery.⁸⁸ Despite these reductions, the *Defence Issues Paper* published during 2014 highlighted, albeit very briefly, the importance of contracted support going forward to address gaps in DoD civilian and ADF in-house competencies.⁸⁹ A subsequent review of Australian defence processes was critical of functions that could be adequately undertaken by DoD civilian staff or by contractors at a lower cost still being in the realm of the military.⁹⁰ During 2016 a new *Defence White Paper* was released by the Turnbull Government that built upon the 2015 review.⁹¹ It is not clear, however, how the criticism raised in the 2015 Review noted above is to be addressed, with contractors only receiving brief mentions in the context of assisting to deal with the unforeseen⁹² and a commitment to the DLTP.⁹³ Recent ANAO reports on contractor performance in areas such as base support continue to raise questions surrounding the efficiency and effectiveness of contractors as well as the DoD measures in place to facilitate the use of contractors.⁹⁴ The

⁸⁶ Gary Waters and John Blackburn, *Australian Defence Logistics: The Need to Enable and Equip Logistics Transformation*, Kokoda Paper No. 19 (Canberra: Kokoda Foundation, 2014), p. 25, <www.regionalsecurity.org.au/Resources/Documents/KP19%20LogisticsPaperWebFINAL.pdf> [16 June 2017].

⁸⁷ Waters and Blackburn, *Australian Defence Logistics*, p. 25.

⁸⁸ Department of Defence, *Defence White Paper 2013* (Canberra: Commonwealth of Australia, 2013), p. 100 at 10.6, <www.defence.gov.au/whitepaper/2013/docs/WP_2013_web.pdf> [Accessed 15 March 2017].

⁸⁹ Department of Defence, *Defence Issues Paper* (Canberra: Commonwealth of Australia, 2014), p. 29, <www.defence.gov.au/WhitePaper/docs/DefenceIssuesPaper2014.pdf> [Accessed 15 March 2017].

⁹⁰ Department of Defence, *First Principles Review: Creating One Defence* (Canberra: Commonwealth of Australia, n.d.), p. 58, <www.defence.gov.au/Publications/Reviews/FirstPrinciples/Docs/FirstPrinciplesReviewB.pdf> [1 March 2017].

⁹¹ Department of Defence, *Defence White Paper 2016* (Canberra: Commonwealth of Australia, 2016), <www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf> [Accessed 20 March 2017].

⁹² *Ibid.*, p. 36 at 1.27.

⁹³ *Ibid.*, p. 101 at 4.67.

⁹⁴ For example, see Australian National Audit Office, *Design and Implementation of Defence’s Base Services Contracts: Department of Defence*, ANAO Report No. 29, Performance Audit

Portfolio Budget Statements 2017-2018 highlight that the Turnbull Government is seeking cuts to contractor expenditure as part of an effort to save over \$300 million by 2020-21.⁹⁵ It is unclear what portion of this \$300 million relates to contractors.

The Impact of Neo-liberal Initiatives on ADF Overseas Operations

ADF overseas deployments since the end of the Cold War have highlighted that neo-liberal initiatives do not necessarily lead to greater efficiency and effectiveness in the delivery of a service, particularly when ongoing organisational issues are present. The post-Cold War period has seen an increase in operational tempo for the ADF and has put the notion of contracting to the test.

The Australian Government has seemingly been reluctant to place the idea of contracting under scrutiny. Despite the program having been a key feature of the DoD's evolution over the past thirty years, the government is yet to commission a full and comprehensive audit or review, including in regard to the use of contractors as part of ADF overseas operations. Fortunately, there is some literature that provides a glimpse into the program's successes and limitations in the context of ADF overseas operations.

Citing ADF operations in East Timor, Somalia and Papua New Guinea, Mark Thomson highlighted the presence of logistical issues which could be attributed "[i]n part at least" to the transfer of logistics to the private sector and the lack of attention paid to integrating contractors to support ADF deployments.⁹⁶ Even before the introduction of contracted support in logistics, there were already problems regarding the perception of logistical functions within the ADF as being of low importance.⁹⁷ This poor perception of logistics continued with inadequate attention paid to integrating contracted logistical support and ensuring demand from the ADF was addressed by supply from contractors.⁹⁸ Consequentially, this makes it challenging to ascertain the impact of contracting measures as opposed to the ADF not giving logistics adequate priority as part of operations.⁹⁹ Meegan Olding notes that ADF overseas operations sought greater reliance on contractors

(2016–17), p. 8 at 6-10, <www.anao.gov.au/sites/g/files/net3241/f/ANAO_Report_2016-2017_29.pdf> [Accessed 21 March 2017].

⁹⁵ Department of Defence, *Portfolio Budget Statements 2017-18: Budget Related Paper No. 1.4A*, p. 20.

⁹⁶ Thomson, *War and Profit: Doing Business on the Battlefield*, p. 28.

⁹⁷ *Ibid.*, p. 28.

⁹⁸ *Ibid.*, p. 28.

⁹⁹ The author thanks Mark Thomson from the ASPI for highlighting this challenge.

from the mid-2000s to support the greater ADF presence in Afghanistan.¹⁰⁰ As a means of making the use of contractors more manageable, the Middle East Logistics and Base Support contract that commenced during 2011 became an important way by which the ADF streamlined service delivery by enabling multiple services to be delivered by one provider (Serco Australia) as opposed to multiple services from multiple providers.¹⁰¹ Since that time, contracts have been awarded to other companies for the provision of additional services to the ADF.¹⁰² The US Department of Defense undertook similar reconfiguration and streamlining during the early 1990s under the Logistics Civil Augmentation Program (LOGCAP).

Thomson contends that it was after East Timor, 9/11 and Afghanistan that greater attention was paid to improving effectiveness in service delivery through investment in logistics and efforts made to greater acknowledge and integrate logistics, which consequently improved logistical support for ADF operations.¹⁰³ Yet at the same time, the pressures that would have otherwise been put on the ADF's logistical capabilities (and presumably would have tested these capabilities) were offset by the ADF having access to US logistics support for operations in Afghanistan and Iraq,¹⁰⁴ which appears to be pursuant to a mutual arrangement for each to sustain the other logistically if the need arises.¹⁰⁵ While not commenting on service delivery, Olding notes that contracted support enabled the ADF to have less troops on deployment in Afghanistan and those that were deployed could direct their attention to combat operations.¹⁰⁶ In addition, given that contractors are not retained after demand for their services has ceased they can be cheaper.¹⁰⁷ Looking at ADF operations in East Timor and the Solomon Islands, David Saul notes that the ADF and contractors were able to work on their rapport, enabling improvements, greater integration and

¹⁰⁰ Meegan B. Olding, *Operation Slipper: The Australian Defence Force and Private Military Contractors in Afghanistan*, School of Advanced Military Studies Monograph (Fort Leavenworth, KS: US Army Command and General Staff College, 2015), pp. 24-25, <cgsc.cdmhost.com/cdm/ref/collection/p4013coll3/id/3408> [Accessed 1 March 2017]. Citing of this document requires the following statement to be reproduced: "The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency" (p. ii);

¹⁰¹ *Ibid.*, p. 25; Department of Defence, 'Middle East Logistics and Base Support Contract', 7 July 2011, <<https://news.defence.gov.au/media/media-releases/middle-east-logistics-and-base-support-contract>> [Accessed 4 October 2017].

¹⁰² *Ibid.*, p. 26. For a recent example, see Toll Holdings Limited, 'Toll Flies Defence Teams to Middle East'.

¹⁰³ Thomson, *War and Profit: Doing Business on the Battlefield*, pp. 28-29.

¹⁰⁴ *Ibid.*

¹⁰⁵ For example, see Department of Defence, *Defence Annual Report 1998-1999* (Canberra: Commonwealth of Australia, 1999), p. 181, <www.defence.gov.au/AnnualReports/98-99/full.pdf> [Accessed 10 March 2017].

¹⁰⁶ Olding, *Operation Slipper*, p. 26.

¹⁰⁷ Moshe Schwartz and Joyprada Swain, *Department of Defense Contractors in Afghanistan and Iraq: Background and Analysis*, CRS Report for Congress, R40764 (Congressional Report Service, 13 May 2011), p. 2, <fas.org/sgp/crs/natsec/R40764.pdf> [Accessed 10 June 2017].

clearer expectations of what the ADF required from contractors due to the tempo of both operations and having the process supported by a back-up plan of ADF logistical support.¹⁰⁸ While praising the efforts of contractors with respect to base support in Iraq, Saul also acknowledges that there had been issues including:

[d]ifficulties in securing contracted support in Iraq occurred in various situations, including when services needed to be expanded or replicated in different locations quickly, specifically in less than ninety days. When local providers were involved and these contractors were subjected to intimidation, including death threats and kidnappings, the provision of services such as tentage or a labour force was unreliable or non-existent. Only one or two companies bid for contracted work outside well-established bases and this resulted in grossly inflated costs and often left no mechanism to compare proposed costs. Further to this, unscrupulous contractors took advantage of poor contract management and failed to perform the contracted services.¹⁰⁹

Despite their role in overseas operations, contractors receive very limited consideration in key Defence documents, such as Defence White Papers. For example, the 2009 White Paper has a section of two small paragraphs titled 'The Use of Contractors on Operations' which notes that contractors have assisted ADF withdrawals and that "their deployment has allowed ADF elements to redeploy, reconstitute and prepare for subsequent operations".¹¹⁰

Conclusion

Australia's DoD, like its global counterparts in Britain and United States, has used contractors in order to fulfil its objectives, driven by the assumptions of neo-liberalist ideology. The commitment to neo-liberalism transcended political parties with basic ideological differences. While the Rudd Government sought to reduce the use of contractors in certain areas, contractors remained in place with respect to a number of functions and their involvement was encouraged in some areas as part of finding the right mix of ADF personnel, DoD civilians and contractors. Subsequent federal governments have continued to seek to refine this mix and acknowledge the importance of contractors in filling gaps in skill sets and giving the DoD the flexibility to adapt to change.

However, there are issues the federal government still needs to address. First, the government should commission a full audit of the DoD's contracting program. In-depth and extensive analysis of the efficiency and effectiveness of contractors needs to be undertaken, including with respect to the ADF's lengthy deployments in Afghanistan and Iraq. Examining cost

¹⁰⁸ Saul, "Hardened, Networked ... and Commercially Capable", p. 107.

¹⁰⁹ Ibid., p. 108.

¹¹⁰ Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, pp. 91-92 at 10.20.

and performance of contractors during these deployments assists in identifying what is actually provided more efficiently and effectively by contractors and what should be returned to the public sector. Just as it has done in the past, the ANAO has a key role in holding the DoD publicly accountable with respect to cost and performance. Assumptions grounded in neo-liberalist ideology, such as the private sector always being better at delivering services, should not form the basis of decisions to use contractors.

Second the DoD could assist the contracting process by having clearer guidelines surrounding what constitutes a core function. These guidelines would enable a more uniform understanding of such functions across the DoD.

Third, the contracting process, from determining what functions should be contracted to managing performance, evolves over time. Mistakes will be made and budgets will be exceeded at times. The DoD needs to determine whether its own contracting processes contributed to higher than expected contracting costs, such as the poor selection of a provider or inadequate cost analysis procedures, before making a determination that the private sector is too expensive. The DoD should respond to the findings of both internal and external examinations of contractors and the processes used to bring them into the DoD fold. In determining whether to insource a function, there must be consideration of the potential long-term costs associated with doing so and the obligations government departments need to fulfil with respect to permanent public servants.

Fourth, there needs to be greater clarity in public reporting of how many contractors the DoD uses. The use of contractors in the context of defence can facilitate negative perceptions, but a lack of clarity in reporting and what figures do and do not include and why compounds these negative perceptions. Similarly, contractor accountability under federal legislation should be reviewed and the possibility of contractor specific legislation considered. In addition to regulating the actions of contractors, legislation can mitigate negative perceptions surrounding their use. In formulating adequate regulatory measures, Australia has the ability to learn from allies that have used contractors more extensively as part of their militaries, such as the United States and Britain.

Fifth, the lengthy commitment of the ADF to operations in Afghanistan and Iraq, coupled with simultaneous commitments to other areas of instability such as the Solomon Islands highlights the importance of devoting adequate attention to integrating contractors into the operating environment. These operations would have provided numerous indications as to their strengths and weaknesses with respect to contracted support to the ADF. Increased pressure on the ADF, such as multiple simultaneous deployments for lengthy periods of time, could very well require an increase in the use of

contractors to support operations, particularly if this involves deployments where the ADF cannot utilise logistical arrangements with other states such as the United States.

Finally, there is no guarantee that cuts will not be made to ADF and DoD civilian staff by future federal governments preferring instead to utilise contractors which can be brought in on an as needed basis. While the costs associated with using contractors may continue to be a subject of contention, this may be outweighed by the flexibility contractors offer compared to their public sector counterparts. The number of contractors used by the DoD may pale in comparison to other states such as the United States but will remain an important ace in the hole for the DoD in order to deal with competing demands and in the face of downward pressure on the size of the Australian public sector.

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