The new public management of security: the contracting and managerial state and the private military industry

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Private military companies (PMCs) do not often figure as a case study alongside topics such as health and local government in the public management literature. However, this article shows that public management offers critical insights into the reasons why governments contract services to the private military industry. In particular, the article analyses the deep inroads that reforms inspired by new public management have made into the management of defence and security functions since the 1990s, as well as the partnerships established between authorities and PMCs. A key motivation behind such policies has been to raise the efficiency and effectiveness of security provision. However, there have also been some unexpected problems, which are addressed in the article. The conclusions highlight that, despite many imperfections, states will increasingly provide security with the assistance of PMCs.

State management of defence and security functions can be increasingly understood through new public management (NPM). NPM favours the participation of private firms in the delivery of public goods and services. The chief aim of the approach is to raise the efficiency of public services, including government. In the 1990s, NPM was well ingrained in practice and private military companies (PMCs) started to proliferate. PMCs are commercial enterprises offering services that often involve knowledge in the use of force. NPM is rarely mentioned by the literature on PMCs, and the contracting-out of military and security services to the private military industry is not often mentioned in the academic public management literature. By crossing disciplinary boundaries, this article makes up this deficit and offers a platform for new analysis and debate. It highlights the problems that arise when NPM is applied to national security.

This article describes PMCs and summarises the reasons for their proliferation. The application of NPM to the privatization of security is explained. The article focuses on the interface between the public and private sectors for the handling of diverse military and security-related tasks. The logic of NPM would imply that the approach is best applied in the context of a robust market economy and a political commitment to liberal governance. The article implicitly corroborates this by using examples from the USA and the UK. Besides comprising the leading suppliers of PMCs, the USA and the UK have been leaders in NPM-style reforms.

Private military companies (PMCs)

PMCs can be defined as legally-established international firms offering services that incorporate the ‘potential’ to exercise force in a systematic way and by military or paramilitary means, and/or the transfer or enhancement of that potential to clients (Ortiz, 2007, p. 60). The potential can materialize when delivering protection services to public and private entities in climates of instability, such as armed conflicts and humanitarian crises. In Iraq, protection has included static security, personal security details, security escorts, convoy security, and advice and planning (GAO, 2006, p. 10). Transfer tends to occur when rendering protection services to public and private entities. Enhancement is patent when PMCs offer support in the handling of diverse logistics, risk management, and intelligence tasks, particularly to states and peacekeeping and reconstruction missions. While very few contracts would ‘promise participation in ground combat’, protection, training, and support cover the most typical
service categories PMCs are hired to satisfy (Avant, 2005, p. 16).

The military and security expertise is thus variable and generally reflects particular client needs and contractual parameters. Expertise is also reactive to the degree of hostilities in the locations in which it is rendered—ranging from homeland security issues to actual theatres of war. Notwithstanding that for many contracted tasks the exercise of force is a remote possibility, knowledge of its use is essential to deliver private military services. In addition to the protection of assets and personnel in high-risk areas, Western governments tend to rely heavily on these non-lethal services in the NPM of security.

Whereas some PMCs are constituted as independent service providers (stand-alone PMCs), various corporations offer private military services as part of diversified catalogues of services (hybrid PMCs) (Ortiz, 2007, pp. 62–67). Although the complex corporate structure of hybrid PMCs eludes their characterization as PMCs, they nonetheless offer similar services to their more visible stand-alone counterparts.

The supply and demand factors in play at the end of the Cold War help explain the proliferation of PMCs. Armies could be downsized which resulted in an availability of experienced personnel for private contracting (Avant, 2005, pp. 30–31), who together with former law enforcement and intelligence officers, largely staff PMCs. Compounded by shortcomings of multilateral peace missions, the diminished political will of Western governments to intervene in conflicts in remote parts of the world opened up a security gap for PMCs to fill (Brooks, 2000). Simultaneously, the spread of privatization to sovereign functions and the modernization of state forces into leaner and more specialized units have furthered a tendency to subcontract non-core military functions (Zamparelli, 1999, pp. 13–14; Mandel, 2002, p. 35). Global insecurity after the terrorist attacks of 11 September 2001 in the USA (9/11) has broadened these already established patterns of supply and demand for private military services.

PMCs have clearly responded to market conditions. However, their proliferation and use also mark a profound change in the state monopoly on violence. The building blocks of this transformation are found in a gradual shift of the global political economy towards neoliberalism, and the trend towards privatization embedded in the shift. Indeed, commentary on privatization as a primary determinant of the growing use of PMCs is abundant, particularly in arguments about the apparent dangers of privatizing security (Markusen, 2003; Singer, 2003, pp. 151–168).

To understand this transformation, however, the process needs to be examined in terms of public management theory. NPM helps to explain the motivation for governments to contract PMCs, as well as the mechanisms involved.

The privatization of security under NPM

NPM advocates the use of market mechanisms in the allocation of public goods and services, as well as a greater role for the private sector in the handling of public tasks. Managerial discipline, particularly borrowing from business practice, and the structuring of relations through contracts are important features of the approach (Ferlie et al., 2006). Under NPM, contracting and managerialism control the relationship between the public and private sectors for the efficient delivery of public services. Efficiency, according to NPM, will be achieved because governments will choose the best firm for the delivery of services and because firms actively compete to win contracts ensuring an optimal price.

NPM thus involves a recasting of the traditional relationship between the public and private sectors. Private firms can now enter areas previously considered the preserve of the state, because they become ‘partners in delivering public goods and services’ (Rosenbloom and Kravchuk, 2002, p. 501). This process contrasts with the more conventional understanding of privatization as the transfer of property rights from the public to the private sector. In particular, this former case occurs when NPM is applied to sovereign functions and private sector participation involves services deriving from knowledge in the use of force. Furthermore, private enterprises are now profiting from the knowledge base acquired by their (military, law enforcement, and intelligence) personnel while on state service.

The application of the private finance initiative (PFI) to the funding of defence assets in the UK has been examined by researchers (for example Parker and Hartley, 2002; Uttley, 2005). However, the broader interface generated by the convergence of NPM and the private military industry, which is service-oriented and not capital-intensive like the defence sector, also needs to be analysed.

Towards efficient private security provision

‘Efficiency’ is constantly present in the logic.
behind NPM-style reform. As the outcome of such policies tend to 'hint at the reduction in costs for government' (Lane, 2000, p. 143), efficiency needs to be understood largely in economic terms. A useful concept here is 'X efficiency'. That is, insofar as efficiency is 'calculated by the inputs used to produce outputs', the greatest efficiency is achieved with 'less input per output' (Rosenbloom and Kravchuck 2002, p. 350). Given governments' targets for the provision of services—quantity, quality and regularity—the best mechanism to achieve these is often assumed to be vetted firms offering the lowest costs. Concurrently, the establishment of targets tends to be balanced by what politicians judge represents society's desirable levels of output ('allocative efficiency') vis-à-vis budgeted costs (Hartley, 2004, p. 200). Against this backdrop, the participation of PMCs in the production of collective security presupposes a more efficient alternative than exclusive public provision.

In practice, however, efficiency is not always achievable. Non-economic factors can affect the process of selecting the best firms to contract out; and the more sensitive the public service to be outsourced is, the more such factors can affect the decision to hire a particular firm. In the USA, for example, the awarding of a contract worth US$293 million to co-ordinate major security work in Iraq to the British firm AEGIS Defence Services surprised analysts. A US Army spokesman noted that 'based on the criterion that was sought and AEGIS' technical capability, not so much the cost', the firm was chosen from among six bidders (cited in Flaherty, 2004).

Notably, in a US Government Accountability Office (GAO) report on contracts awarded for the reconstruction of Iraq for the fiscal year 2003, of 25 contracts examined 14 (56%) were found to have been awarded non-competitively (GAO, 2004a). Contract awards need to comply commonly with requirements originating in the Competition in Contracting Act 1984 for 'full and open competition'. If that is not the case, the contracting officer is required to justify any alternative procedure. A $1.2 billion contract awarded to KBR in March 2003 by the US Army Corps of Engineers for the rebuilding of Iraq's oil infrastructure was one such case. GAO concluded that the sole-source contract was properly awarded to the only contractor the Department of Defense 'had determined was in a position to provide the services within the required time frame given classified prewar planning requirements'. Together with performance provisions, 'entry barriers' in the tendering process, a variety of restrictions in what would otherwise be full and open competition, appear to have played a part in the awarding procedure.

More generally, in an analysis of a sample of 74 task orders (placed against indefinite delivery/indefinite quantity contracts awarded to pre-qualified vendors), GAO (2004b) established that the Department of Defense waived competition requirements in 34 (46%) of them. Task orders are used extensively in the NPM of security and have covered a wide range of firms and services, such as Blackwater (now called Xe) in protective security services, ArmorGroup (part of G4S) in weapons removal and abatement, DynCorp International in counter-narcotics and police training, EOD Technology in static and mobile security, MPRI in military training and recruitment, PAE Government Services in base operations, RONCO Consulting Corp. in de-mining and unexploded explosive ordnance removal, and so on. In the European Union, the European Commission (EC, 2007, pp. 13–14) established that between 2000 and 2004 its member states did not publish in the Official Journal of the European Union on average 87% of tender opportunities for defence equipment (in value terms). The EC also found exceptions to competition rules for sensitive non-military security equipment.

Entry barriers, which tend to characterize defence markets (Hartley, 2004, p. 205), seem to transcend to the market for private military services. It is reasonable to assume ex ante considerations affect contract awards for the handling of sensitive security tasks, because they involve the disclosure of classified information to potential bidders. GAO data appears to corroborate the issue. In the UK, the Ministry of Defence tends to rely on trust and the reputation of likely private partners when negotiating contracts (Parker and Hartley, 2002, pp. 5–6). Extrapolating from an analysis by Barzelay and Campbell (2003, p. 4), the dilemma is 'whether government entrepreneurship is limited to producing better goods and services more cheaply or whether it should consider how such goods and services contribute to public goals such as national security'. In the latter scenario, entry barriers and performance provisions partly work in externalizing a desire to prioritize national security over purely economic considerations. Are 46–87% of the awarded private military contracts an estimation of the scale of the problem, or symptomatic of an issue that needs to be formally integrated into methodology for the NPM of security?
The information available for public scrutiny is insufficient to answer satisfactorily this question. In the USA, the Arms Exports Control Act (AECA) 1976, which licenses the export of defence goods and services, as well as the American firms engaged in exporting them, establishes that ‘except further that the names of the countries and the types and quantities of defense articles for which licenses are issued…shall not be withheld from public disclosure unless the President determines’ (AECA 2000, §2778e). Lawyers from the US Department of State have nonetheless ‘interpreted the clause to mean that all information outside a list of countries and defense articles should be withheld’ (Peterson, 2002, p. 8). Likewise, in the UK a ‘limited amount of information on the cost and performance of contractors…has so far entered the public domain’ (Utley, 2005, p. 29). If the establishment of an adequate balance between these apparently contradictory requirements will always pose a challenge, the role played by contracts further explains aspirations and problems inherent in the NPM of security.

The contracting state and PMCs

An important issue to consider in contracts involving PMCs is the environments in which services are rendered, as on many occasions they are conflict or post-conflict zones. Field risk associated with these environments can adversely affect the effectiveness and efficiency of service provision. For instance, uncertainties ‘may greatly change the quantity of resources needed to accomplish a particular objective’ (Fredland, 2004, p. 210). In this respect, in a public testimony on the role of security contractors in Iraq, the US Director of Defense Capabilities and Management acknowledged that ‘given the expectation of a relatively benign environment that would require only minimal level of security’, private security costs ‘undoubtedly diverted resources’ (Solis, 2006, p. 7). On the other hand, it can be a complex issue to foresee and codify all the eventualities involved in service delivery in climates of instability when formalizing contracts. This is a comparatively novel necessity. Trofa (1997, p. 250) argues that ‘contracts are a way to establish ground rules and boundaries in a world where change occurs quickly and where the action that has to be taken to cope with this change cannot always be foreseen’. Security contracts might not be able as yet to include factors dependent on field risk.

An additional problem arises out of the transnational nature of security contracting. The NPM literature emphasises service delivery at the national level. However, contracting often originates at the national level but delivery is abroad. For example, the US Department of State manages the provision of personal protection services for its personnel deployed overseas through the Worldwide Personal Protective Services (WPPS) contract. DynCorp International and Triple Canopy are two of the PMCs that have contributed to WPPS.

On a larger scale, the US Army’s Logistics Civil Augmentation Program (LOGCAP), which manages the use of civilian contractors by the Department of Defense in support of contingency mobilizations, since 9/11 has delivered support with over 34,000 contractors—often under harsh or hostile conditions (Trautner, 2004, p. 12). DynCorp International, Fluor Corporation, and KBR are the prime executors of the ongoing LOGCAP IV through competitive bidding between them for specific task orders. The scale and scope of LOGCAP necessarily involves tiers of subcontracting, which further complicates evaluation and analysis. The delivery of private military services abroad, particularly in adverse environments, can also erode efficiency due to difficulties inherent in enacting adequate oversight of contracts (Singer, 2003, pp. 152–154), which might result in public money being misspent or lethal force misused by PMCs. Iraq and Afghanistan have provided examples of both cases, some of them involving LOGCAP and WPPS contractors.

If public–private comparator methods can provide the technical basis to test the feasibility of private security provision, the article has established that current methodologies show divergence between efficiency goals and outcome. The technicalities and issues identified coincide with underdeveloped and under-researched areas of the NPM of security, hence focal points of debate. In addition, they implicitly denote the importance of the managerial practices interlinking government entrepreneurship to processes all the way down to service delivery on the ground.

The managerial state and the use of partnerships

NPM signals a shift ‘from political accountability to managerial accountability’ (Baker, 2004, p. 46). In the managerial state, politicians identify objectives and then instruct managers to implement them. Managers in the public sector, as opposed to traditional civil servants, exercise a good degree of autonomy and discretion in the achievement of objectives and are active...
decision-makers and trouble-shooters. They also must be engaged in an ‘ongoing feedback loop between policy ideas and their implementation’ (Yeatman 1997, p. 178). Accordingly, management ‘has some formal authority as well as a set of activities, such as budgeting, performance measurement [and] setting up organizational arrangements’ (Terry 1998, p. 4). Besides these features, however, the NPM of security calls for more specific managerial skills, methods, and institutions.

Public managers engaged in the NPM of security need to develop expertise in the command and delivery of military and security functions. At different levels of government and sectors of the forces, this expertise involves the amalgamation of knowledge in areas such as intelligence, IT systems, logistics, protection, or training, as well as specific activities such as drone surveillance, tactical jamming systems, the disposal of man-portable air defence systems, the detection of improvised explosive devices, or any other task susceptible of PMC input. The expertise should be reflexive and adaptive in order to address variable levels of field risk. Concurrently, effectiveness must be continuously balanced against budgeted costs for service delivery in partnership with the private sector to unfold efficiently.

Indeed, the participation of firms in the management of defence and security is increasingly modelled in theory and practice around the notion of ‘public–private partnerships’ (PPPs), which ‘can range from the out-sourcing of single functions or entire service sectors to joint ventures and fully government-owned private companies’ (Krahmann, 2005, p. 279). PPPs integrate selected parameters for contractual privatization into a managerial interface linking the public and private sectors in service delivery. Among other benefits, it is argued that PPP tendering allows for clarity in specifications and requirements, clear and enforceable contracts, bidding transparency, and better risk allocation (Parker and Hartley, 2002, pp. 1–2). Moreover, by introducing a conceptual and organizational compact, PPPs can address the problems and imperfections affecting the NPM of security more effectively.

In the UK, PFI is now articulated within the wider PPP programme re-engineered by the Labour government in the late 1990s. Although the policy remains to be applied to front-line units, PPP/PFI have increased the scope of private sector involvement in support activities associated with equipment deployment and maintenance, along with aircrew training (Krahmann, 2005, p. 280; Uttley, 2005, pp. 6–10). Further, the Ministry of Defence’s Defence Training Review Rationalization Programme (to centralize the design and delivery of the technical training for the British Army, the Royal Navy, and the Royal Air Force) and the UK Military Flying Training System (which will create a tri-service organization focusing on the flying training of the forces) will transition the production of military knowledge to a PPP model. In the USA, contractors at home and on deployed operations have been the norm and their involvement in the front line of conflicts is only likely to increase (Zamparelli, 1999, p. 12; Taylor, 2004, p. 184).

Emerging or evolving managerial structures operating between the public and private sectors give pragmatic meaning to the notion of PPPs in the NPM of security. In the USA, for example, the General Services Administration (GSA) is a central management agency that establishes long-term pan-governmental contracts with private firms. As part of the military supply chain, GSA assists ‘troops abroad as well as homeland operations that support deployed units’ (GSA, 2003). Task orders in areas of homeland security, law enforcement, and security training are also covered by GSA. To facilitate co-ordination between contractors and buyers in the forces, LOGCAP incorporates a Support Unit. Nevertheless, GAO (2005, p. 12) continues to stress the need for better management and monitoring of LOGCAP, and the Commission on Wartime Contracting In Iraq and Afghanistan (2009, p. 41) is critical of the understaffing of the Support Unit and the decision to lapse it in favour of a management support contractor (Serco Inc.). In Iraq, the establishment of a Reconstruction Operations Center in October 2004 gradually transformed informal co-ordination between the military and private security providers into ‘a structured and formalized process’ (GAO, 2006, p. 20). Other similar arrangements and offices contribute to the management of the interface between the public and private sectors in the NPM of security. They are already employing or moving towards institutionalizing the use of the ‘intelligent’ manager described above, who combines managerial as well as expert military knowledge.

Figure 1 synthesizes the NPM of security alongside traditional defence and security provision. The market imperative of the approach further articulates a dual process by which a growing number of tasks are contracted out to the private military industry and PMCs
commit to this demand by diversifying or specializing, or both.

Conclusions
The technical perspective offered conveys the challenging and sometimes controversial nature of the NPM of security. Although novel, it has not emerged in a vacuum. The academic literature documents the gradual transformation of the Ministry of Defence in the UK and the US Department of Defense from the late 1980s. The end of the Cold War meant that a broader market for private military services was able to develop, and NPM techniques and policies conceived for traditional public services have transcended that base to penetrate sovereign functions. Indeed, as in the shift towards NPM over a decade ago, public management scholars are increasingly debating new ideas reshaping government and governance. These discussions suggest that NPM-style reform has run its course (for example Dunleavy et al., 2006). However, years will pass before some form of consensus is reached about the nature of the emerging strategy. Meanwhile, any new paradigm would necessary build on the established model. In addition, the plans put forward by periodic defence reviews are conceived for horizons ranging from several years to a few decades. For example, the partnerships created to centralize aircrew training in the UK and to use contractors for protection services and other contingency tasks in the US have been established with this timeframe in mind. They are critical to the achievement of longer term defence and security goals and cannot be simply discontinued. Far from it, intense negotiations underway between government and firms to secure their future (and jobs attached to them in light of deteriorating public finances) are likely to result in a tighter and more mature public-private interface. Therefore, the analysis offered here provides a guiding assessment of key conceptual and technical problems that will continue affecting security provision well into the 21st century.

References
Commission on Wartime Contracting In Iraq and Afghanistan (2009), At What Cost? Contingency Contracting In Iraq and Afghanistan (Washington, D.C.).
New guide to public sector pensions

Public sector pension arrangements are under the microscope in the UK and it is critical that those responsible for their management and administration are working to the highest standards of governance. The Local Government Pension Scheme (LGPS) has a deserved reputation for applying and demonstrating those high standards. Since 2002, all local government funds have been required to comment on their application and compliance with the 'Myners principles': 10 best practice statements relating to pension fund investment decision-making launched by the Treasury in 2001. In 2008, following an extensive review of the Myners principles conducted by the National Association of Pension Funds, the 10 original principles were updated and consolidated into six new principles.

Investment Decision-Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles from CIPFA reflects the recent changes. The guide, which has been endorsed by the Department of Communities and Local Government (CLG), sets the Myners principles in the context of the LGPS statutory framework and outlines the types of practices and disclosures necessary for funds to comply with the principles.

‘Investment Decision-Making and Disclosure in the Local Government Pension Scheme’ is available to purchase via the CIPFA online shop (ISBN 978-1-84508-219-2)—go to www.cipfa.org.uk/shop; or contact Nigel Keogh at nigel.keogh@cipfa.org.uk for further information.