



## **Oral History of Dan R. Bannister**

Interviewed by: Paul Ceruzzi

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## J.P. (Jack) London

### Conducted by Software Industry Special Interest Group

**Abstract:** Dan R. Bannister describes his career with DynCorp beginning in 1953 as an electronic technician working for Land-Air, Inc., the predecessor to DynCorp, through becoming the president of DynCorp in 1985 and then his retirement when the company was sold to CSC in 2003. He describes how Land-Air had contracts with the Air Force to install and upgrade electronics systems in aircraft and with the Army to provide maintenance on aircraft in Vietnam. Land-Air became a highly-diversified conglomerate as a result of acquisitions. In the late 1960s, under then-president Chuck Gullede, Bannister participated in a team that drew up a strategic plan to change the company to from a manufacturing and services business to a pure services business. The company divested itself of some of its lines of business and grew to become the largest private aviation services company in the U.S. The company was taken private with employee ownership in the late 1980 in response to the threat of a hostile take-over and began to focus on providing IT services to a variety of government agencies. Under Bannister's leadership, the company completed a number of acquisitions which strengthened their capabilities in IT services. He describes the contract bidding and business development processes that DynCorp used. Following his resignation from DynCorp, Bannister joined the board of CACI and he describes the economic and competitive environment for government contractor companies in Northern Virginia.

**Paul Ceruzzi:** My name is Paul Ceruzzi. I'm interviewing Dan R. Bannister who was for many years the CEO of DynCorp. Is it Dyn-core or Dyncorp?

**Dan Bannister:** DynCorp. When we named the company DynCorp, it was shortened from Dynalectron Corporation. We went through a long process to try and come up with a new name and we had a dozen different names. Then one day, somebody said "Why don't we just shorten it to DynCorp." That's a great idea.

**Ceruzzi:** You can remember it.

**Bannister:** However, our Army friends kept saying Dyn-Core.

**Ceruzzi:** We had this discussion yesterday about CACI. I always thought it was "khaki".

**Bannister:** The chairman, Jack London, does not like “khaki”. I forget what that word is in some other language and I never knew until I read your book [*Internet Alley, High Technology in Tysons Corner, 1945-2005, MIT Press 2008.*], by the way, what CACI stood for. I never asked Jack.

**Ceruzzi:** California Analysis Center Incorporated.

**Bannister:** I had no idea that’s what it was. That was interesting.

### **Early Career**

**Ceruzzi:** Most of the Northern Virginia companies have initials but DynCorp is one that has a name and it’s interesting that way. Let’s start at the beginning, your early career, your education and your service record and things like that and how you got to be where you were in DynCorp.

**Bannister:** It goes back to 1948 when I joined the Air Force fresh out of high school. All through the Second World War, it was my dream to go into the Air Force. That comes from watching too many war movies during the war. So I joined the Air Force and, fortunately for me, they sent me off to electronics school for a year after basic training. Then I was assigned to a Strategic Air Command unit and we went to Japan when the Korean War started, flew some missions to Korea. But I was an electronic technician specializing in radar throughout my career. When I was discharged four years later, I decided that with that background, I should be an electronic engineer. So I registered for school at the University of Arizona in Tucson under the GI Bill, \$49 a month stipend. At the end of my first year, I was broke. I was working for a company on the evening shift, 3 to 11 every day and the company went broke, actually. So I was out of a job.

**Ceruzzi:** What were they making?

**Bannister:** They were upgrading electronics systems in aircraft, B47s and some other aircraft. So when they went out of business, I was out of business. So I thought, I’ve got to get a job and I’ve got to be able to save enough money so I don’t have to work eight hours a day when I go back to school. I remembered what is now DynCorp which was called Land-Air, Incorporated back then. I knew that they were headquartered in Chicago and that’s all I knew about them.

The reason I knew about them is that, right before I was discharged, I was assigned to a Land-Air, Incorporated team which was at our base at Davis-Monthan installing UHF systems in B29s and I was sent down to help them out. I got to talking to the guys and they told me that they

traveled around the country and that they had operations in Japan, so it was very interesting. I was also very impressed with the fact that the guys were making \$1.80 an hour, which was a big deal. I wrote a letter to Land-Air, Incorporated in Chicago, Illinois – I didn't even have their address – and I said "I'm a radar technician and I want to go to Japan and live for a couple of years working for you so I can save money and go back to school." Lo and behold, I got hired at \$1.80 an hour. They offered me \$1.65. I said "No, no, no. I know you pay guys \$1.80."

I started to work on a contract that they had to upgrade the electronics systems in aircraft all over the world. My goal was, of course, to go back to Japan where I knew I could live cheaply and save money, and come back and finish my schooling without having to work, at least not full time. I got with the company and they began moving me around to different locations. I was in Columbus, Ohio and Omaha, Nebraska and Hawaii and Tucson and California. I saw DynCorp as a company that, if you're opportunistic, you could do better. So they put me in charge of a couple of projects and I soon became a team supervisor. I began to get more interested in what kind of a career I could make with DynCorp rather than go back to school.

**Ceruzzi:** It wasn't called DynCorp then.

**Bannister:** Right. I'm using that to clarify it.

**Ceruzzi:** What was the name then?

**Bannister:** Land-Air, Incorporated.

**Ceruzzi:** So later on we're going to talk about California...

**Bannister:** We'll get to that. To make a long story short, they moved me into the corporate office as a project manager. In Chicago and I went back to school at night trying to continue my education.

But I'll jump ahead. I never finished it so I'm a dropout. In the early 1980s, I had accumulated so many hours that I decided I would take a year off from work and go back and finish my degree. By then, I was a vice president of the company and I told my boss I wanted to take a year off. He said "Why?" And I said, "I just need to finish my education. I want to get my degree." He said "You don't really need to do that." I felt very strongly about it. He said "Look. Here's what you need to do. You're not going to learn anything going back just taking those courses. We need to send you up to Harvard for the Executive Management Program, 13 weeks, straight through, and you'll learn more up there in that program than you will going back and getting your degree." I argued with him and finally he convinced me to do it.

My concern was that I was being prepared to be a candidate to be president of the company and my opponent had finished school and had a degree. I thought that made a difference to the board. That's how I started my career and the rest is history, so to speak.

Going back to your other question, California Eastern Airways was started in September 1946 by a couple of returning Air Force pilots. They wanted to start an airline so they started California Eastern Airways. They actually did a public offering and I don't remember how much they raised but it was a very small amount. They leased some aircraft and they began flying cargo from the east coast to the west coast. Then they got a contract to fly troops from Korea and Japan during the Korean War. Their dream was to become a scheduled airline. It wasn't quite that easy in those days. We only had about three airlines.

**Ceruzzi:** They were regulated very heavily.

**Bannister:** You needed more than a leased gate position at an airport to get a route. Nowadays, it's a lot simpler. In any event, that put them in the aviation business. They got involved with overhauling aircraft at a facility in Oakland, California. Then they came across a fellow who had started a company. His name was Ted Holiday. He was a retired Air Force colonel who had started a company called Land-Air, Incorporated.

Land-Air had basically two contracts. One was at the White Sands Missile Range where the company was involved in high speed photography and operating their high speed test track and operating the telemetry system on the range. That later expanded to managing the entire range but in those days, it was very rudimentary. The other thing the company had was a contract with the Air Force to install and upgrade electronics systems in aircraft, you know, full-circle. That was the contract that I went to work under when I joined the company. What's unique about that is that Ted Holiday convinced the Air Force that it was more efficient and cheaper to send teams of technicians to aircraft and do a modification on the spot rather than flying aircraft in to a facility. It was a breakthrough in the concept of doing that, but it was also a breakthrough in contracting out something like that.

I'll just summarize that contract, which started in February 1951. The company, today's DynCorp, still has that contract. It started out with 11 employees, one of whom is a friend of my dad's; he's still around. He's 80 years old now. It grew to about \$800 million a year for DynCorp. Today, there are six other companies that have a similar or an identical contract. So that contract is now probably about \$2 billion a year and it has expanded greatly in scope. It's much more than just modifying aircraft. It was a contract designed to offer federal agencies the opportunity to acquire technical help, and later on technology help, with a quick response.

**Ceruzzi:** Something they couldn't do within the government because of the skills they didn't have.

**Bannister:** Exactly. They didn't have them available. A good example is that during the Vietnam War, the Army came to us and said "We've got all these helicopters and airplanes over there but we don't have enough technicians to maintain them and repair them." You can train someone to fly an airplane in like 13 weeks but it takes almost a year to train a mechanic to maintain it. You never get ahead of the power curve. We actually had 1800 people in Vietnam.

**Ceruzzi:** The electronics are constantly being upgraded and improved and new technologies are coming along.

**Bannister:** Exactly. That eventually spread to total maintenance. The company was the maintenance arm of the US Army and still is today, by the way.

**Ceruzzi:** Are there any constitutional issues regarding getting involved with a military service where you're in a combat zone working side by side with uniformed soldiers who are carrying weapons?

**Bannister:** A very interesting question. When we furnished the people in Vietnam, it was the first test of the contractors on the battlefield issue, as they used to call it, and whether or not contractor employees could be put in harm's way. Indeed, it happened there. In fact, we lost 29 employees during the Vietnam War. The Army didn't have any choice, the government didn't have any choice, and that was a breakthrough also because, after that, the contractor on the battlefield concept was more accepted. It still got debated by Congress and all the military services, but you know what's happened since then.

**Ceruzzi:** They had no choice, as you said.

**Bannister:** There's probably not a ship at sea that doesn't have contractor employees onboard, or there's not an aviation unit hardly anywhere in the world that doesn't have some contractor employees. Look today in Iraq.

**Ceruzzi:** This is where it started. Let's get back to this timeline.

### **Joining Land-Air, Inc.**

**Bannister:** The company had those two contracts and I came on board two years after Land-Air, Incorporated was acquired by California Eastern Airways.

**Ceruzzi:** What year was that?

**Bannister:** 1953. That's when I started as an electronic technician. The company was involved at that time in a number of different endeavors. It was kind of a mishmash, a conglomerate as they used to call them. We had a manufacturing operation out in California where we made electronic gadgets primarily for electronic warfare systems. We did some metal bending, building computer cabinets for example, and we got involved in the energy business. We acquired a company that was started by some guys who worked on the Manhattan project and they had developed some processing systems for oil refineries very different than what was in existence. We also developed some coal gasification and coal to oil processes that looked like it was going to be a good future for the company. Of course, oil was \$12 a barrel in those days. And we had a medical X-ray manufacturing company. California Eastern Airways was still in business. They were operating an overhaul facility. They were leasing aircraft to airlines. And they were the international representative for US aircraft manufacturers in 51 countries. So you can see it was kind of a mishmash of operations. A key milestone in DynCorp's history was in 1969 and by then, I was in the corporate office.

**Ceruzzi:** In what city?

**Bannister:** It had moved to Washington.

**Ceruzzi:** By 1969 it was in the DC area.

**Bannister:** Yes.

**Ceruzzi:** Do you remember what year it moved?

**Bannister:** In 1962, California Eastern Airways was actually headquartered in Washington.

**Ceruzzi:** But it had been in Los Angeles?

### **Move to Fort Worth, TX and Washington, DC**

**Bannister:** No, Oakland, California. Land-Air, Incorporated, which was a subsidiary, was headquartered in Chicago. In 1962, they decided they would consolidate everything in Washington. I was running the division that had the field team contract, the White Sands missile operation, and some other operations. They were moving to Washington and I said "What about me? What am I going to do with my division?" They said "Move it wherever you want to go." Of course, I said "You're kidding. You mean I can pick a place I want to live?"



So to make a long story short, we did a survey of the United States, looked at our customer base, looked at cost of living and all the things you would normally look at, and we picked Ft. Worth, Texas. None of us had ever lived in Ft. Worth before but we had all the right reasons to go there and it turned out to be the right decision because Ft. Worth is bit of an aerospace town.

**Ceruzzi:** General Dynamics, right?

**Bannister:** Yes, they're there now. Back in those days, it was Convair.

**Ceruzzi:** A B24 plant?

**Bannister:** It was, but at that time, they were building... I forget what it was. So I moved my division to Ft. Worth, Texas and I was there four years before the president called and said "Will you come up to Washington. I want you to run one part of the company. I'm going to go focus on our energy business." So I reluctantly went.

**Ceruzzi:** What year was that?

**Bannister:** That was 1967 when I came to Washington.

**Ceruzzi:** Where in Washington?

**Bannister:** Georgetown, to Wisconsin Avenue. My idea was I was going up there for one year, maybe two, because I liked living in Ft. Worth. So at the end of two years, I said, okay, only one more year. And then the board was wrestling with what kind of company do we want to be because we had some losers. My operations were consistently profitable and continued to grow every year so it looked good. Being a young vice president, I complained constantly about how they weren't doing things the right way.

### **Developing a Strategic Plan**

**Ceruzzi:** What was the name of the president of the company at the time?

**Bannister:** Chuck Gulledge. He was formerly president of Emerson Electric. You remember them from St. Louis. He had joined the company in 1962. That's when we changed the name to Dynalectron by the way. It was Cal Eastern and Land-Air, Inc. and then Dynalectron, a single name. We didn't have a strategic plan so he challenged four of us to write a strategic plan.

So we sat down and designed a new company and it did not include a lot of the business we were in. The concept was to change DynCorp from a conglomerate and manufacturing and service business to a pure service company because, in our view, the two didn't mix, and they never do. So we wrote the plan and presented it. Frankly, much to our amazement, the board approved it. So the president said "Now you have to implement it." For the next couple years, I was in charge of divestiture so I divested all of the manufacturing operations in two plants out in California and anything that was not related to government services operations.

**Ceruzzi:** So by this time, it went from White Sands and aircraft maintenance to government in more general terms. Was that part of your plan?

**Bannister:** Yes. The plan was to start fresh. There were two exceptions there. At the time, we still owned a manufacturing plant in Alabama that manufactured medical X-ray equipment from a company that had been purchased several years before. That sort of belonged to the president because it was his deal. Then our hydro-carbon research activities, which was the energy part, that was also his acquisition and he wanted to run that.

So we didn't touch those because we knew we wouldn't be able to, anyway. But everything else we divested or just terminated. We started out with a company that was doing about \$60 million a year. The majority of that was in the government services. But our idea was to use the government business that we had as a base – and we saw many opportunities to expand that beyond just aviation services – and then build two more legs from the company, both in service and one had to be commercial.

That's how we decided to go into the electrical contracting business. We picked the electrical contracting business because we did a study of the business and we found there were two companies that were very large and all the rest of them were sort of mom and pop kinds of businesses. So there was an opportunity for consolidation if we put them together, and that's exactly what we did. We bought 19 companies, put them all together and created Dynalectric, which became the second largest electrical contractor company in the United States. That wasn't overnight. That was a period of over six years.

For the third arm of the company, we said "We know the aviation business. Our routes are commercial aviation." So we studied that business intensely and we felt that the airlines should focus on getting a passenger safely and comfortably and economically from point A to point B and they didn't have to do anything else. They didn't have to operate their ticket counters. They didn't have to handle the baggage. They didn't have to do anything including overhauling their airplanes which most of them did themselves back in those days. So we tried to sell that concept to the airlines and the unions just shut us out completely. But then we looked at some airports around the country, San Francisco, JFK, Anchorage, of all places, and Atlanta, and we

found that there were some small companies operating and doing just baggage handling or refueling. You needed a license to operate at an airport so we acquired one company that was headquartered in Boston and they had an operating license at those airports I just mentioned. It was only doing \$4 million a year but it had a license, which was the important thing, so we acquired that company. It was called Surveyor. Then, over the period of the next eight years probably, we acquired about a half a dozen other companies similar to that.

**Ceruzzi:** This is in the 1960s?

**Bannister:** No, this is in the 1970s and early 1980s. To jump ahead, we grew that business to become the largest private aviation service company in the United States. We were operating at 58 airports around the country. We eventually achieved our goal of providing a total service. For example, if you went to JFK airport and flew on Alitalia Airlines, you never saw an Alitalia employee because they didn't have any employees. They outsourced the entire operation except for the station manager to our company. And our employees wore a uniform that had a little Alitalia clip on it and nobody knew the difference. That concept grew rapidly and it became very successful.

### **Becoming President of DynCorp**

So that was the third leg of the company. The company was doing just great. I became the president in 1985, changed the name of the company to DynCorp, moved from the American Stock Exchange to the New York Stock Exchange and...

**Ceruzzi:** And moved to Reston.

**Bannister:** In 1976, we moved to McLean and then in 1987, we moved to Reston. Maybe it was 1988.

**Ceruzzi:** McLean is really Tysons Corner.

**Bannister:** It was right on Dolly Madison Boulevard close to Tysons Corner. We were kind of an oddball. But back in those days, companies that were out in Tysons Corner didn't even exist.

**Ceruzzi:** I've talked with other people who've said that Wisconsin Avenue had a lot of what we call IT services companies up on the hill but they all moved away.

**Bannister:** That's where we were. In fact, I think DEC moved into our building when we vacated it. You're exactly right, up on the hill. That's an interesting story, of how the companies migrated to northern Virginia.

**Ceruzzi:** Was that your decision?

**Bannister:** No, it was not. We moved primarily because we wanted to get out of the city and we needed more space. So we found this building in McLean and it had a lease option on it. But then we outgrew that and when we outgrew that, we moved out to Reston.

**Ceruzzi:** At this point, DynCorp was not a professional services company like the ones we were talking about yesterday.

**Bannister:** No. And the turning point came right about the 1980s. We began to see how computers were becoming more management tools than data processing machines. At just about that time as we were looking at opportunities to use those tools in our business. Initially, we didn't think of it as a business. Initially, we said we can become more competitive if we can figure out how to use those tools in our services to the government.

For example, just to jump ahead, later on, we did exactly that. We took our knowledge of IT, if I can use that phrase, and we developed a maintenance system for an Air Force squadron giving the mechanics handheld devices so that they can record the status of an aircraft or what was required to be done or what was accomplished. It immediately was transmitted to a central command post if I can call it that. Instead of having blackboards or whiteboards where guys were writing the status of aircraft with chalk, it was done electronically. That had never been done before and today, of course, it's commonplace.

We saw it as opportunities to give us a competitive edge in our business. Then we began to see that it was a business in itself. We got interrupted with the hostile takeover attempt in September of 1987. We realized that Victor Posner was accumulating stock and that he had intentions of taking over the company. That was his reputation. He owned all or part of 53 companies in the United States, most of which, according to the record, he had never been to. He staffed the management and the boards with associates and family members and so forth and most of the companies were drained of their cash and many of them eventually went out of business.

We didn't like that scenario, of course, so we resisted it. Then what happened was that the chairman of our board, who had been with the company almost from its inception – his name was Jorge Connisero, an Argentinian US citizen, educated in the United States – very much considered the company his company even though he was only a 10% shareholder. So he

decided to try and buy controlling interest in the company to stop Posner. He put an offer on the table to the board to buy 51% of the company at a certain price. We were publicly owned and you can't do that sort of thing without going through a process. So the board appropriately formed a special committee and started the process of getting a fairness opinion and entertaining other offers. It became a very ugly scene.

### **Management Buyout of the Company**

In the course of all that, the management team, five of us, got together to try and figure out if we could buy the company ourselves, not for ourselves but to do a management buyout – a highly leveraged management buyout – which is what did ensue. We found financing which was readily available in those days, very expensive but it was available. Banks were eager to loan money for these kinds of things in the heydays of the late 1990s. So we arranged the financing but the centerpiece of our proposal was that we were going to make it an employee-owned company.

**Ceruzzi:** You were going to no longer be traded on the stock market.

**Bannister:** Right. We'll take it private, put an ESOP in and our proposal was to give the employees an immediate 35% stake in the company and over time, that would increase theoretically to 100% because all the other shareholders would sell their shares to the ESOP.

**Ceruzzi:** And the employees would be allowed to sell the shares at the end of the year at a price that you set or something like that?

**Bannister:** No. First, the ESOP shares were essentially a pension plan. That's what an ESOP is. So they can only sell their shares when they leave the company. But in the interim, we also set up an internal stock market. We set up four ways for employees to accumulate more shares if they wanted to. One was, they could buy them at the end of each quarter through our internal market. They could buy shares with a payroll deduction. They could take shares directly as part of their bonus plan. There was one other way they could acquire shares and I forget what it is.

We tried to give the employees every opportunity if they wanted to expand their ownership, and many did. Fortunately for them they did, I might add. I did have a mandatory stock ownership piece for the top managers that required that they own shares based on their compensation. The top managers had to own shares that were worth four times their annual salary but they had five years to accumulate that.

**Ceruzzi:** Who determined the value of the shares?

**Bannister:** The way it works is there are companies that do evaluations, so once a year, the stock was valued and that determined what the price of the shares was.

**Ceruzzi:** It was going up steadily?

**Bannister:** At first it went down but as we paid off the debt and our balance sheet improved and sales improved and profits improved, it came up.

**Ceruzzi:** This is in 1987?

**Bannister:** We put our proposal to the company for our management buyout about two days before the stock market crashed, and our proposal was to buy controlling interest at \$20 a share. The stock price dropped to \$9 while our proposal was being evaluated. Of course, we panicked and then decided it'll come back and, actually, it bounced right back.

### **Increase in Government Outsourcing**

**Ceruzzi:** Was there anything going on with the White House or Congress or the Pentagon that was directly affecting your business at the time?

**Bannister:** What was happening was that outsourcing by the government was growing. Even during a budget cutback what happens is they have mandatory reduction of civil servants and military but the work stays.

**Ceruzzi:** The work has to be done.

**Bannister:** That allowed them to achieve their goal of reducing a thousand federal employees or military people. I think what was happening was that the military leaders and some of the government leaders who understood outsourcing were realizing that there were opportunities for efficiency and it gave them more control over the resources and it gave them a quicker response if something happened.

I'll give you an example. When Desert Storm started, I received a phone call from an Army general who we had done business with, and he said "Dan, I need 500 people and I'll send you a list of the kinds of people we need in Saudi Arabia in 30 days. I have to tell you, I can't give you a piece of paper right now for a contract but I'll get something to you. I also have to tell you when you get there, you're on your own. I can't provide you transportation, housing, feed you or anything." No problem. We had 500 people in Saudi Arabia supporting the Army and then we

moved into Kuwait after the government took control and we stayed there throughout Desert Storm supporting the troops.

**Ceruzzi:** It sounds like you didn't have to worry about cultivating a particular congressman or senator or anything like that.

### **Service Contract Act**

**Bannister:** There were always process and technical issues like the Service Contract Act or A-76.

**Ceruzzi:** Circular A-76. Say a little bit about that.

**Bannister:** It's still around. It wasn't called OMB in those days. It was called...

**Ceruzzi:** Bureau of the Budget, BOB.

**Bannister:** You're right. Circular A-76 was relatively simple, almost like a statement which became a policy. Then, of course, it became very political and it kept growing. There was a constant fight and there is to this day, I might add.

**Ceruzzi:** It's in the newspapers this morning.

**Bannister:** Is it?

**Ceruzzi:** The idea of what is appropriate for the federal government employees to do versus DynCorp or equivalent. It sounds like for you, it's just a no-brainer that you keep doing your job and people will come to you and you didn't have to fight that battle. The way you fought the battle is to do your job.

**Bannister:** Yes, but we also fought the battle. I testified up on the Hill several times on A-76 and it's always going to be a battle, what is inherently "governmental," and what should be outsourced. But it's changed over the years. Just look today, my gosh. Things that we do today we could only dream about 15 years ago.

**Ceruzzi:** There's this notion that civil servants are not paid that well and the good side of that is that you can get some work done at a low cost, whereas if you contract out, you have to pay a competitive salary. Your argument is that the civil servant doesn't have the ability or the skills to do the work. Is that fair?

**Bannister:** He doesn't have the skills in some areas because they never developed the skills because it's contracted out. Could they develop the skills? Yes. But there are some things that are contracted out because the government system doesn't accommodate the needs, and I'll give you a good example: the National Cancer Research Center up in Frederick, Maryland. DynCorp operated that facility for a number of years under a contract. The reason it is operated by a contractor rather than the government is because the contractor was allowed to hire the best scientists in the world, the best medical personnel, and some of them were paid \$200,000 a year. The government pay system doesn't allow for them to hire somebody at \$200,000 a year. They could change the system if they wanted but I don't think they ever will because a contract accommodates their needs, so why not do that? We had 1100 people up there, every technician, every scientist.

**Ceruzzi:** You hire these people at a competitive salary but there's also the overhead and that adds to the total cost of the contract. If you hired a federal person, there's no overhead because he's part of the...

**Bannister:** But there is overhead. If the government were to replace a contractor, somebody has to provide the overhead function and the cost, the payroll system for example. They incur a long term pension benefit, which you don't with a contractor. We don't have lifetime pension benefits in industry like the government has. If it's a military person, you've got all the training and support costs that go with it. So I won't say it's a breakeven. I won't say that the contractor is less expensive or more expensive because you have to take it on an individual basis.

**Ceruzzi:** We've left the chronology but this is a very interesting issue for me personally.

**Bannister:** Me, too.

**Ceruzzi:** It sounds like it's a never ending sales job that you have to do, especially in the Congress. There are lots of other things that come into play there.

**Bannister:** There are a lot of members of Congress who are opposed to what we call outsourcing but for the most part, in my opinion, they don't understand how the system works. They've never been in the military. They don't know about the DynCorp technicians in Vietnam that kept their airplanes flying and did missions that some of the military didn't do. They're just inexperienced. I sat next to a freshman congressman last night at a function in Washington. He's 27 years old. His total experience was he was on a school board – I won't name the state he's from – and he served four years on the state senate. He has no idea of how the system works. By the way, he's a bright young man. I think we'll see more of him later. How many congressmen were in the military?



**Ceruzzi:** Fewer and fewer nowadays.

**Bannister:** I think we got off track.

### **Move into IT Services Via Acquisitions**

**Ceruzzi:** Also, since this is the Computer History Museum that's supporting this interview, I want to move into more IT or computer-related services. Obviously now, DynCorp is a very, very technology intensive systems engineering kind of company.

**Bannister:** We did the buyout in 1988. For two years, we focused on accumulating cash, paying our debts, satisfying the banks. In 1990, the banks got a little more liberal with us as they saw that we were actually meeting our covenants and growing and becoming more profitable. So we thought that was the time to launch another acquisition program. At that point, up to the buyout, we had acquired I think it was 36 companies and we had successfully integrated them, organized them into three businesses and it was a good track record. So the banks were comfortable with our ability to do that. So we thought we'd just repeat...

**Ceruzzi:** Any particular bank?

**Bannister:** We had five banks actually. The lead bank was Deutsche Bank. We decided we wanted to do two things with an acquisition program this time. One, we wanted to move more into IT as they called it then and still do, I guess. But secondly, we were looking for companies that had management tools that were related to technology and were in agencies where we weren't doing business. In 1988, when we took the company private, we were doing business with six government agencies and most of them were within the Department of Defense. The Department of Defense was 95% of our business in 1988.

**Ceruzzi:** That didn't worry you because earlier, you talked about the three legs of the stool.

**Bannister:** We were comfortable with the Department of Defense. But we began to see that there were other agencies that were doing more and more outsourcing and we began to look at opportunities with them. But to break into those agencies is sometimes long term and expensive. So the first company we acquired in 1991 was a company down in Alexandria, Virginia called Meridian Corporation. They were doing some data analysis and I think they were doing some systems engineering at the time primarily for Department of Energy. We had been unsuccessful in breaking into the Department of Energy and so we acquired that company. They were doing about \$30 million a year when we acquired them and in 1991, we were seven hundred and some million dollars.

Just to jump back, in 1988, we were at about the \$850 million running rate. As soon as we closed the deal and went private, we had to sell off the electrical contracting business and that reduced our revenues by almost \$300 million, so we were back down to a \$500-and-something million company. But by 1990, we were back up around \$700 million, so we had grown nicely, all organic, no acquisitions. So we acquired Meridian Corporation and we acquired another company, also in Alexandria, that was doing some really interesting work in the environmental area. That gave us an entrée into EPA. Subsequent to that, between 1990 and 1995, we acquired 16 companies and they each gave us some capabilities that we didn't have before and entrée to certain customers.

### **Expansion into the Intelligence Communities**

**Ceruzzi:** Including the intelligence communities.

**Bannister:** Yes.

**Ceruzzi:** Was that especially difficult to break into?

**Bannister:** We didn't have a track record that I recall with the intelligence agencies. We acquired that through acquisition.

**Ceruzzi:** But you had to demonstrate to them that you could handle their needs for secrecy and everything else.

**Bannister:** Yes. Most of our business prior to 1988 did not require Top Secret clearances. We had few classified projects. It became more plentiful after that. Of course, the intelligence community was a very small community prior to 1991, as you know, from the standpoint of outsourcing.

**Ceruzzi:** No. Tell me a little more about that.

**Bannister:** If you go back prior to 1991, the CIA and NSA were, as I recall, the two principal intelligence agencies, then later came DIA. Somebody told me the other day there are now seven agencies that handle US intelligence.

**Ceruzzi:** Right. National Reconnaissance Office, Geospatial Intelligence Agency. In 1991, there was a shift or something?

**Bannister:** I said 1991 earlier but I meant 2001. Sorry.

**Ceruzzi:** They began to outsource more because the demand was so much greater.

**Bannister:** Exactly. So we began to shift our focus from the government business we were in before, which was very broad based. We were maintaining aircraft. We were maintaining and operating government facilities. We were operating oceanographic research ships. We had eight oceanographic ships. The agency outsourced that entire operation.

**Ceruzzi:** NOAA?

**Bannister:** Yes. And a whole host of things. I'm going to give you some records where you can see all the various things we were doing. It was very, very broad-based, which was very good for the company because we weren't focused just in one area. That allowed us to develop a capability that was very, very broad so that we could almost do anything.

We did some missions – I probably can't even talk about a couple of them – that were very, very focused. I guess I can tell you about one just to give you an example. There was a need for the US to go into a country – I won't name the country – and take some people out. The government contracted with us to accomplish that mission. We leased Russian helicopters and flew them across the country and completed that mission. The military couldn't do it because the US military couldn't go into that country, but we weren't US military, and it was a very interesting project. There is an example of outsourcing that fits the requirement. We have a one-time requirement to do this and then you're all through, and that's what we did.

I'll give you another example. During the 2000 census, the Census Department had a requirement to set up a facility in the Los Angeles area to process the census documents. It had a fixed life. It required us to set up the facility, install all of the computers for an 18 month, two-year period, whatever it was, and then collapse it. That's one of the advantages of outsourcing: you control the start and finish line.

**Ceruzzi:** You acquired these IT skills when you bought the companies?

**Bannister:** Yes. But we added to it substantially as we began to focus on IT as a principal business of the company.

**Ceruzzi:** Were you comfortable with making decisions about hiring these kinds of people?

**Bannister:** Absolutely, because I hired good lieutenants who were more skilled than me.

**Ceruzzi:** There's lots of jargon and acronyms and it's a very fast changing world. You had to somehow keep on top of that to handle these kinds of jobs.

**Bannister:** I did but I didn't keep on top of every project. I organized the company in such a manner that I had knowledgeable people running the different segments. And I always had a philosophy in the company which I said many, many times: "I'm not the smartest guy in this company but I know how to be successful. That's hire people smarter than me. So you guys are all smarter than me. Let's get that straight to start with." Indeed, they were much smarter than me. It's like the president of General Motors. He doesn't have to know how to build an automobile. Or the CEO of an airline doesn't have to fly an airplane. But you're right. There was a new language being developed every day and we managed to keep up with it.

**Ceruzzi:** This was also the time when the personal computer was taking over from the old mainframe computer systems and you had to somehow not get caught on the wrong side of that change.

**Bannister:** Interesting you should mention that. In 1992, I believe it was, we decided to get off the mainframe and have a distributed network. It was a really big decision for us because no company our size had ever done it before. Even the vendors were a little skeptical of it but we did.

**Ceruzzi:** What kind of network do you remember having?

**Bannister:** A PC LAN. I don't even remember.

**Ceruzzi:** A local area network of personal computers.

**Bannister:** Yes. Four thousand of them and it was successful. Of course, we never looked back after that. Who has a mainframe anymore?

**Ceruzzi:** They use them in server farms.

**Bannister:** But that was a big, big step for us. We felt we had to do that not because it would be more efficient and we could see it coming, even though no company our size had ever done it before. But it was also a demonstration of our ability to handle IT and appear like we were one of the frontrunners, so it was an exciting time.

**Ceruzzi:** So you were on top of all this.

**Bannister:** I'll put it this way. I was at the top of the company.

**Ceruzzi:** Yes, but the people below you were probably scrambling to implement to keep on top of it. Like I say, it's a very fast changing environment.

**Bannister:** We were probably one of the first companies in the government contracting arena to hire a CIO. We kind of invented the position in the company because we really needed someone who...

**Ceruzzi:** You said at one time you were 95% DOD and now you're branching out but it's still primarily government, very little or no commercial business anymore. It was obviously successful.

**Bannister:** We actually tested the water so to speak in the commercial world and we did have a couple commercial projects. But frankly, in our view, the two didn't mix very well. And we said we're a government contractor. Why don't we just admit it and be good at being a government contractor? There's nothing wrong with that. We can build a hell of a company as a government contractor. We don't need to say we're in commercial *and* government business.

**Ceruzzi:** And you apparently didn't pay attention to these newspaper headlines that said it's over when a new president comes in or something like that.

**Bannister:** No.

**Ceruzzi:** So we were talking about DynCorp getting heavily involved in IT types of contracts and being successful at it.

**Bannister:** Right.

**Ceruzzi:** And you're obviously competing against other companies in the Northern Virginia area who may have come from a background like the guys from the Rand Corporation...

**Bannister:** Yes.

**Ceruzzi:** ...who were mathematicians right from the start. And yet you were able to compete against them okay, or was that something you had to think about?

**Bannister:** Many of those companies, not all of them, were rather narrowly focused in the marketplace, and we took a broader view of it. Our view of it was what is the total solution for

the customer's problem, not what are the pieces of it? And if we can provide a total solution rather than just do this piece and somebody else do another piece, then we bring something different to the table. Now, that quickly became everybody's solution.

**Ceruzzi:** It sounds like they could copy that without any trouble.

**Bannister:** We didn't invent it and with all fairness, now, the government's outsourcing program was also moving towards shifting the responsibility for an entire project to a contractor, rather than outsourcing a piece of it, because it was more efficient for the government. And it put single responsibility for a project on a contractor.

So we began to develop skills internally, and we also began to develop management tools. A good example is there was a project called Solomon. It was in the Department of Energy which wanted a management performance system that would show every task, what the status of it was, who was assigned to it, the calendar, all of that, for the Secretary of the Department of Energy reporting to President Clinton. And nothing existed. So we had two employees who actually designed – well, with a team, but two people headed it – a system that gave the Department of Energy exactly what they needed. As a matter of fact, the Vice President gave us the Hammer Award. Remember the Hammer Awards?

**Ceruzzi:** Yes, I do.

**Bannister:** Well, we had a Hammer Award for that project. To the best of my knowledge, that system is still in use at DOE today.

**Ceruzzi:** Now, was that using personal computers...

**Bannister:** Yes.

**Ceruzzi:** And Microsoft software that you integrated?

**Bannister:** Probably Microsoft. To be honest with you, I don't remember.

**Ceruzzi:** Your company didn't write software from scratch to do these things, or did they?

**Bannister:** We may have on that project. I'm thinking back, 1992, it's possible we did. I think that was 1992 that we did that. I'll have to look that up. It's an interesting question.

**Ceruzzi:** Well, I think nowadays there are lots of companies that try to supply that, although you still have to tweak it obviously.

### **Acquisition of GTE IT Services**

**Bannister:** Yes. But that was typical of our approach to the market, and it worked successfully. And the thing that put DynCorp just a jump ahead to becoming a large player in this field, even though we were growing very nicely, was when we bought GTE. Remember GTE?

**Ceruzzi:** General Telephone and Electronics, from Massachusetts.

**Bannister:** Yes, exactly. They decided to divest their government IT business, which was a couple hundred million a year, and we acquired that business. It was the largest acquisition we had done. We paid \$160 million cash for the company, and that gave us a facility here in Chantilly with several hundred employees and a good customer base. It really moved us into the big time, so to speak.

**Ceruzzi:** Into telecommunications. Was that the first time you moved into telecommunications?

**Bannister:** This was their IT business, it wasn't their telecommunications business. Now, there were some telecommunications elements in there, but this was primarily IT. They had the contract, for example, with the New York Stock Exchange to maintain their IT communications systems. So it was a big leap for us.

**Ceruzzi:** And what year was that?

**Bannister:** It was 1999 or 2000, somewhere in that range.

**Ceruzzi:** Okay. So at this time, who were your primary competitors? Was it PRC, BDM, or anybody else in particular?

**Bannister:** Just keep going down the list. Because we were so broad-based, we competed with all of them. We competed with ManTech and CACI in one area, and then with PRC in another area and another area with another company. So our competitor list was much longer than some other companies.

## Contract Bidding Process

**Ceruzzi:** And you obviously were successful, although we talked yesterday about a 30 - 35 percent success rate.

**Bannister:** The win rate?

**Ceruzzi:** Yes.

**Bannister:** Contracts?

**Ceruzzi:** Yes.

**Bannister:** Yes, that's the range that we were in. What I said yesterday was generally true, 35 to 40 percent new win rate, and not everybody does 100 percent on re-compete forever. Maybe one year at a time, but obviously you have to win your re-competes or you can't stay in business.

**Ceruzzi:** Yes, and it costs a lot of money to write these proposals.

**Bannister:** Yes, it does.

**Ceruzzi:** Maybe you could just walk through the process. You received *Commerce Business Daily* [Ed. Note: notices of proposed government procurement actions, contract awards, sales of government property, and other procurement information] in the mail, is that right?

**Bannister:** Yes, in the mail.

**Ceruzzi:** U.S. Mail, on a piece of paper.

**Bannister:** That's right. It was a number of pages.

**Ceruzzi:** And you sat down and looked at it.

**Bannister:** You went through it until you found something that was in your area. It gave the RFP number and the contact, and then you went and found out about it.



**Ceruzzi:** And what was specifically described in that?

**Bannister:** Just a brief description of what was going to be purchased.

**Ceruzzi:** And it was required by law that you had to go through that process?

**Bannister:** Well, it was required that they publish the opportunities. And of course the *CBD* eventually went electronic. You can pull it up today.

**Ceruzzi:** Yes, it's on the web. It's got a different name. The law said that they have to publish it, but also there was something that changed in the law that said you had to wait 30 days or something like that. Were there things that restricted your ability to respond to something in there?

**Bannister:** I don't know what that meant, to be honest with you. I don't recall that.

**Ceruzzi:** But could you circumvent this process? Could somebody call you in the middle of the night and say, "Hey, this is going to come out in the *Commerce Business Daily* tomorrow, you want to get a head start on it?"

**Bannister:** They could. I don't remember getting any late-night phone calls, but there were always ways. Obviously, *CBD* is written long before the day it's published, and so people who are doing business with agencies could easily learn that there's a requirement being put together. And often the government puts out a draft RFP for comment, which became commonplace. This was very good, I might add, because they were able to get information from industry that helped them write a better RFP.

**Ceruzzi:** So that's the process of how you go about getting this business. And presumably everybody else is reading the same thing the same day.

**Bannister:** Yes.

**Ceruzzi:** So that's how DynCorp functioned?

**Bannister:** In the early days, yes.

**Ceruzzi:** You have to spend all this money to develop a proposal and yet, at the same time, as we heard yesterday [at the meeting of Government Professional Services pioneers sponsored by the Software Industry Special Interest Group of the Computer History Museum],

you could set yourself up if you had a business card and a basement with a computer and some brochures and you could start a business. In some cases I've heard that someone gets a contract and then they form a company to execute the contract. Did it ever happen that you...

### **Small Business Set-Asides and Mentor Program**

**Bannister:** I don't think you can do that, but if you're a startup, obviously, you're small, and you don't need all the resources to execute the contract or win a contract, because the whole idea is to help small businesses get started. As we were saying yesterday, contracting out is part of a national social program. It's a way to create businesses and industry, and that's why we have these set-asides. Some of them have gotten out of hand, though. Somebody mentioned yesterday the Alaskan Native Corporation, which is a disgrace on the contracting community, in my opinion, because it is purely political. Do you know what that is?

**Ceruzzi:** No. If you want to talk about it on the record, go ahead.

**Bannister:** Well, thanks to Senator Stevens, who got a regulation passed that allows any Alaskan native to organize a company and to get a contract without competition.

**Ceruzzi:** And they don't have to be a Native American, just a native Alaskan?

**Bannister:** A native Alaskan, yes. And I don't believe it specifies you have to be 51 percent Alaskan or 10 percent or what. So in any event, the books are full of cases where contracts were taken away from companies and given to an Alaskan native company. Then the Alaskan native company which has to be 51 percent-owned by an Alaskan native, will take a \$100 million contract -- \$100 million, I said -- and they will perform very little of it. They'll sub out or partner. They'll give the majority of the work to DynCorp, for example.

**Ceruzzi:** Because you're the ones that know how to do the work.

**Bannister:** Yes, maybe we had been doing it for years and years and years. And so it's really just a sham. And there's some effort -- maybe it's just talk, but at least there's some talk -- about an effort to do away with the Alaskan Native Corporation because it's not serving its purpose.

**Ceruzzi:** No, it's not serving the country.

**Bannister:** It's not serving the country at all. But to me, the best way for a small business to get into the business is to have some personal capability yourself, a track record of operating it

in the industry, and have technical skills, and to convince another company to give you a subcontract to get you started. And there are some programs around to help small businesses do that. It's called the Mentor Program. There are companies that have Mentor Programs and some of the costs of Mentor Programs are paid for by the government. They allow a company like CSC, for example, and DynCorp, to mentor smaller companies. We had one. A couple of the top management people, part of their time was devoted to finding small companies, helping them write a proposal, help them develop their capabilities, and then help them manage the company after they won a contract. And then turn them loose.

**Ceruzzi:** We also covered this yesterday, but I want to bring it up again: the myth – and yesterday that was very clearly expressed as a myth – that you need to hire retired military people so they know what door in the Pentagon to open. Go ahead and talk a little bit about that.

**Bannister:** We hired a lot of military people, and I don't ever recall hiring someone who could open a door for us. Could they help guide us to opening a door? Of course, but they never walked in and opened the door. They're prohibited in some cases from doing that, as you know. We hired former military people because they were all very well educated and they were very disciplined. The best... I was going to say the best executives I had were former military people, but I can't say it that way. I will tell you that one of the best vice presidents I had, was a retired two-star general. This man was just absolutely an outstanding person, an individual with a brilliant military career. You had no qualms about giving him a project or an assignment and then walking away. You knew it was going to get executed. That's the way they're trained.

**Ceruzzi:** Any downside to hiring military?

**Bannister:** The only downside is that most of them don't understand the profit element of business. They have to learn about balance sheets and budgets, cash flow, you know, all the stuff that any business major knows. And they don't know that because they don't have any experience at it. But they're quick learners. I've never had an issue with that. But there is another issue. A very, very few of them have trouble adjusting to the fact they don't have a chief of staff themselves or all the staff that goes with the high-ranking military position. But they learn real quick and they're outstanding people as far as I'm concerned.

### **Business Development Process**

**Ceruzzi:** Companies like DynCorp, you have marketing but you don't take out ads in the *Washington Post*-- well, you do occasionally – but you don't spend a lot of time with television advertising or anything like that.

**Bannister:** No.

**Ceruzzi:** Your marketing is very focused toward one customer or a few customers. So what does marketing mean for a company like DynCorp? Is it salesmanship or something else?

**Bannister:** Well, start with business development. The process starts with a person who is, for the sake of a title, say he's Vice President of Business Development, and his or her job is to be looking forward in the market to see what's coming, what's happening in the market, the trends, where the opportunities may be down the road, not the ones that are in hand today. And to organize or help organize the company's resources to pursue a particular project that may be coming down the road. Now these are mostly large projects, obviously.

He or she feeds the information to the marketing people. When a project becomes a target, the marketing people take over, and they do the selling, the coordination, the interface with the customer. It's probably someone who is already doing business with an agency, for example, for a Department of Energy project, a person who knows the Department of Energy and is already has an established relationship so they can pursue the opportunity. There aren't really salespeople per se. We don't have salesmen out selling products, so there's no commission...

**Ceruzzi:** In previous meetings we've had, the model was IBM where the salesman is the king of the company.

**Bannister:** Absolutely.

**Ceruzzi:** But who's the king of a company like yours? Who is the most important person, or who are the most important people you have?

**Bannister:** I don't know if there is a king, because it truly is a team effort, a worn phrase. Well, you start with the president of the company. He has the macro-vision. He's looking out, where's the company going to be in five years? And then your mission, what are the pieces of the vision? And that's when the business development people take over, so to speak. They're executing the pieces of the vision. And then, the marketing people, and then there's the people who do the proposal preparations, who are really very key to winning the contract.

**Ceruzzi:** I would imagine so, yes. You've got to win 35 percent or else you're in trouble.

**Bannister:** Yes, right, and more important, you've got to bid. You've got to select the targets. You know, it's a target-rich community for almost any government contractor today because there are more opportunities than you can pursue. So you track them all a year to two years out, and as they get closer you narrow your list down because you can't bid everything.

So eventually you get down to when the RFP comes out. The really good companies start writing their proposal before the RFP comes out. It's not that they know what the RFP's going to say, but if they've done their homework they know what the job is. They may have hired somebody from... Assume that it's a new opportunity for you, but there is an incumbent contractor. You may have hired some of the incumbent contractor's personnel, so you have some knowledge of what the project is. So you can begin developing your approach, what your opportunity is, what your competitive edge is, how you're going to do something different than the incumbent, because you have to offer something nowadays more than just a better price and even a better price doesn't always win.

**Ceruzzi:** Related to that, how much movement is there of your employees among DynCorp and the other competitors? Do they shift, do they change jobs very frequently?

**Bannister:** No, not as much as you might think. Somebody said it yesterday: if you've got a company where you have employees that are happy, they're getting opportunities to use their skills or develop new skills or to make a difference to be part of something, they're not going to wander off because they're going to get a dollar an hour more down the street. In our company, because we were employee-owned, we had a lower turnover rate than most of the other companies because our employees were building equity in the company with every paycheck. They were getting more shares. And there were some penalties so if they left early, they would lose something. They weren't severe, because once they get vested, those are their shares. And we had a total four-year investing, so we had an opportunity to keep employees and give them a reason to stay with us.

### **Competition for Employees with Security Clearance**

**Ceruzzi:** So Northern Virginia has these companies all side by side with each other but people weren't poaching. Although I've heard that you poach people if you need someone with a security clearance. Is that because it's so hard to get a security clearance from scratch? Is that true?

**Bannister:** Oh, yes. My guess is there are probably 4,000 to 5,000 jobs available today for people who need a security clearance to fill the job. I saw something published in the *Washington Business Journal* the other day about the vacancies in all the companies. Lockheed Martin has 3300 vacancies. We have 300 at CACI. And most of those are jobs that must be filled by somebody with a security clearance.

**Ceruzzi:** So is that system broken?

**Bannister:** It's always been broken. It takes a while, the processing takes a while. Now, interestingly, you talk about outsourcing, that is all outsourced now.

**Ceruzzi:** The vetting of people, background checks?

**Bannister:** It used to be done by the government and now it's outsourced, which has helped considerably, because there's several companies that do it now.

**Ceruzzi:** Do you think there any jobs that require a clearance that probably don't need a clearance?

**Bannister:** Yes, probably, but when you get a classified contract, it pretty much says you have to...

**Ceruzzi:** Do you have any idea what percentage of DynCorp's work requires security clearances?

**Bannister:** I don't today, but let's use CACI. They have 7400, as I recall, people with the top security clearances, and they have 14,000 employees.

**Ceruzzi:** Okay, so that's a lot. And that's another difference between here and Silicon Valley, where they keep a tight lid on their corporate secrets.

**Bannister:** Yes. We don't have that environment here. But companies being side-by-side, that is really not an issue. Actually, it turns out that it's an opportunity for employees and companies to develop relationships. In the market today, teaming with your competitor is very commonplace. We even form joint ventures with companies who are competitors, and when employees from different companies get together, there's intellectual exchange, so it's stimulating to them to be able to talk to somebody else.

**Ceruzzi:** What about the way things are now, where Northrop Grumman has so much of the business in Northern Virginia, and CSC is another. There are only a few, maybe five in the whole country that you can just tick off: Northrop Grumman, Boeing, IBM. There's just not very many left. Is that a problem or is that just the natural evolution of things?

**Bannister:** No, I don't think it's a problem because there's no shortage of small and medium-sized companies coming up.

**Ceruzzi:** So it's still happening?

**Bannister:** Yes.

**Ceruzzi:** Backing up again to the security issue, were there ever cases of espionage at DynCorp where somebody from a foreign country, got in?

**Bannister:** No, we never had a breach of security that I can remember, on any contracts. It's pretty well controlled.

**Ceruzzi:** When you consider the numbers of people who have these clearances, it sounds like a pretty good record, I guess.

**Bannister:** Yes. By the way, it's another advantage of hiring former military people because they come with the clearance, some of them.

**Ceruzzi:** I've been interviewed asking about my neighbors, but I don't have a security clearance. Anyway, the Smithsonian does not do classified work, with maybe one or two very, very slight exceptions.

How are we doing? Are you covering everything?

**Bannister:** I'm all right.

**Ceruzzi:** Okay, two things I want to do. One, I really want to get into this whole issue about the Internet and the World Wide Web, and its presence in northern Virginia, but also its effect on business in general. I came across this book about the ARPA's role in creating the Internet and the author said that some of these records from the Strategic Computing Initiative and DARPA are held in storage at DynCorp. He said he couldn't get to them, and he was very frustrated.

**Bannister:** That's news to me. I don't know of any DARPA records stored at DynCorp. We had some activity with DARPA but my memory is that it was very limited. We helped get some DARPA funds to initiate some projects, but it was developing technology tools of some sort. I don't recall storing any DARPA records.

**Ceruzzi:** Well, DARPA funds cutting-edge research and it sounds like DynCorp is not doing that sort of thing.

## Acquisition by CSC

**Bannister:** I don't know. First we have to clarify; I've been gone for five years so I'm not sure what DynCorp is doing. And the DynCorp you're now talking about, by the way, is CSC.

**Ceruzzi:** Right, yes.

**Bannister:** When CSC bought DynCorp, they bought a \$2.4 billion company. About a billion of that was the IT business, if I can just refer to it as that, and the rest of it was all that other stuff I was talking about.

**Ceruzzi:** Did they divest of some of that?

**Bannister:** They divested all of it.

**Ceruzzi:** Including the operations in South America?

**Bannister:** Yes. What they kept – “they” being CSC – was the activities at the test ranges. There were about seven test ranges in the United States where they test weapons, White Sands being the principal one. They kept that business. They also kept some domestic business that involved O&M, Operation Maintenance services at military bases.

To the best to my knowledge, that's about all that they kept and then they divested everything else including that field team contract that I mentioned. And they divested all the international business eventually. CSC did not want to be involved in some of the things DynCorp became involved in, particularly in the Mideast and Iraq and Afghanistan and so forth. By then we were into training police, and we won the first contract to take a team to Bosnia and do the international police training. Talk about diversity.

**Ceruzzi:** But also it sounds like your roots as an airplane, or aircraft, company...

**Bannister:** Diminished.

**Ceruzzi:** Very much so.

**Bannister:** Oh, significantly, yes. Yes, definitely, it's much broader today. And actually we can give you a current DynCorp annual report. You can see the kind of things that they're in today. DynCorp is now a publicly-owned company.



**Ceruzzi:** But it still has the name?

**Bannister:** Still has the name, DynCorp International it's called.

**Ceruzzi:** Okay, but it's owned by CSC.

**Bannister:** No, that's the part that CSC divested. They divested it to a financial group, and they took it public a year after they bought out. And it's public today, and it's headquartered in the building next door.

**Ceruzzi:** Okay, so is there anything in Reston anymore?

**Bannister:** No.

**Ceruzzi:** So DynCorp is in the next building here in Fairview?

**Bannister:** Right next door because it was part of CSC. They were in the CSC building and they just stayed on.

**Ceruzzi:** And then when that happened, you stepped down?

**Bannister:** In 2003 when we sold the company I was chairman, and they obviously didn't need a chairman anymore, or a board, so I left. And that was my 50th anniversary with the company anyway, so it was time to leave.

**Ceruzzi:** So presumably this sale was a lot more friendly than the one that Victor Posner tried to do in the 1980s?

**Bannister:** As a matter of fact, that's a good point. In 2001 or 2002, we were interested in continuing to grow. We had tapped the capital markets about as much as we could. We didn't have enough cash to buy more companies like the GTE acquisition for \$160 million. We borrowed every dime on that. And we couldn't just keep doing that. The banks just wouldn't keep lending us money. So we had to do a recap of the company, which we had actually done once or twice before, or we had to go public, or sell the company, merge the company. And we looked at all the options.

Oh, and I might also add, we had some debt coming due. When we did the buyout we issued some preferred stock and some debentures, and the debentures had a 15-year maturity, and the stock had – I guess it was the same. And because that was issued as PIK, Pay In Kind,

throughout the years we didn't pay the interest, we just gave more paper. So what was initially probably in total about \$50 or 60 million between the preferred stock and debentures, because the interest rates were 16 and 17 percent on those instruments, it had grown considerably, and that was coming due. So we knew we had to pay that off, and we had need for more capital to continue to run the company. It became apparent that the best thing to do was to merge the company with somebody else. Now, we could have done an IPO. Looking back on it, if we had waited a year we could have easily done an IPO, because in the year after we sold the company, the market changed dramatically.

**Ceruzzi:** Why?

**Bannister:** Well, because General Dynamics decided it wanted to be in the service business, and so they started making some huge acquisitions. Northrop Grumman, same thing.

**Ceruzzi:** Yes, I saw that.

**Bannister:** And Lockheed, same thing. Lockheed, you know, they really made the decision when they acquired Pacific Architects, PA&E it used to be called, Pacific Architects and Engineers. You know, they paid \$600 million for it.

**Ceruzzi:** Pacific Architect and Engineering? I've never heard of that company.

**Bannister:** Well, they've been in business as long as DynCorp and they were much like DynCorp, primarily their logistics business. And they shifted over to IT, just like DynCorp did. Anyway, Lockheed bought them within a year to two years after we did the sale. We could have done the IPO, but it also required a three to five year commitment by the top management – the CEO and three or four other vice presidents – and some of them did not want to make that commitment, quite frankly. They were ready to move on. They were in their sixties.

### **Board Position with CACI**

**Ceruzzi:** Yes. So you now seem to be as active in CACI on the board as you were there.

**Bannister:** I'm not quite as active. I mean, I was an active non-executive chairman at DynCorp, and at CACI I'm just a director. I'm on three committees at CACI, which keeps me busy: the strategic assessment committee, the compensation committee, and the audit committee.

**Ceruzzi:** Are you noticing a lot of differences between that company and DynCorp?

**Bannister:** Yes, as well as a lot of similarities. But what's interesting for me personally is being back in a publicly owned company, because I remember when we were on the New York Stock Exchange, and we went private. And I loved being private, by the way.

**Ceruzzi:** You don't have to pick up the paper every morning.

**Bannister:** I didn't have to manage the company for each quarter, or for each penny per share of earnings. You know, you could make decisions that were long-term with long-term consequences or long-term return. At a public company, there's so much pressure to produce better results quarter-by-quarter.

**Ceruzzi:** And CACI feels that pressure.

**Bannister:** Every public company does. But it's been a lot of fun at CACI; it's a really good company.

**Ceruzzi:** SAIC is also privately owned, is that right?

**Bannister:** Yes.

**Ceruzzi:** Employee-owned, is that similar?

**Bannister:** Well, you know, it was. As a matter of fact, when we decided to become an employee-owned company, I called up Bob Beyster, the guy who started SAIC. I told him we were going to become employee-owned and said, "I need to understand how to run an employee-owned company." He said, "Come on out." So I went out to San Diego and he just turned me loose for three days, let me wander around the company talking to anybody I wanted to talk to, and we stayed in touch frequently. We took lessons from him and we learned about establishing an internal market from him. But we did some things that were quite an improvement over the way he had done it and we told him about it and he changed his program.

**Ceruzzi:** At what point did they become a real serious competitor here in Northern Virginia area? Were they just one of many that came in?

**Bannister:** Probably in the early 1980s or the really early 1990s.

**Ceruzzi:** But they were a competitor?

**Bannister:** They were a competitor, but we didn't compete with them that much until after 1988, because we were in a different arena. When we began to become an IT company, we ran into them more, but they also broadened their base of activity, as you know. You know, that company was built on being a very entrepreneurial – personally entrepreneurial – company. If you wanted to do something and it made money or it looked good – it didn't have to necessarily involve technology – you got an opportunity to implement it.

**Ceruzzi:** These are some of the survivors that remaining standing in the Northern Virginia area: Northrop Grumman and CACI. There are fewer now but there's some other ones coming up, bubbling up from the bottom. Is that's continuing process?

**Bannister:** There are two or three companies around here that are now run by former DynCorp – young guys who we were bringing up through the ranks.

**Ceruzzi:** Did the employees do well when it was acquired by CSC?

**Bannister:** They did very well. When we sold the company, their ESOP accounts – which is their pension, don't forget – increased significantly. And they were liquid; of course, they were no longer just in DynCorp stock. They converted them to 401Ks.

**Ceruzzi:** It's been in the news a lot about companies that have gone down and people who had too much stock in one company lost it. But presumably now that the employees are on their own, they can make their own decisions about where to put their money?

**Bannister:** Well, not all ESOPs work out, because companies do go broke, and the employees suffer from it. But we happened to be one that worked out well for them.

### **Internet Presence on Northern Virginia**

**Ceruzzi:** Okay. I think we have about 10 minutes or 15 minutes, the only other thing I want to bring it up is the fact that the Internet started in Washington. AOL at one time was the largest single connection to the Internet, right in Tysons Corner. MCI still owns – well, they're Verizon now – the major backbone of the Internet. All this was going on literally under your feet, the cables run underneath Reston. But you weren't doing anything about that?

**Bannister:** No, we didn't actually get involved in what you're talking about. But, by the way, you reminded me of something. You should talk to a guy by the name of Al Peyser. Al was the CEO of Cable & Wireless.

**Ceruzzi:** Okay, yes, I know the company.

**Bannister:** And AI was one of the three people who were involved in the Internet. And I happened to see AI the other day, and...

**Ceruzzi:** He's local?

**Bannister:** Yes, he's local, he lives in Bethesda, and I can give you his phone number.

**Ceruzzi:** That would be wonderful.

**Bannister:** I saw him in Florida, because they go to Florida for the winter, and I had dinner with him just the other Sunday night, as a matter of fact. I told him this meeting was going on, and he was quite surprised. He started telling me things that I didn't know, had never heard of, and exactly in the area that you're asking me questions about. So I'll get you his phone number, you can give him a call. He'd love to talk to you.

**Ceruzzi:** As you know, it grew out of a Pentagon program, so it was natural that it would be here, but on the other hand, there's no inherent reason why you would have interacted except they're both huge. I mean, what's bigger than the Internet? And here you were, right next door to each other.

**Bannister:** Yes, but you know, the Internet was created, developed and it just became a tool. It was like, we had a telephone on the desk and now we've got a computer. So it was not part of our company in terms of building it but we couldn't have built the company without it.

**Ceruzzi:** Okay. One of these days I'm going to figure out how it's possible that the two things coexisted, but they did, or still do, I guess.

**Bannister:** Have you talked to Mario Morino?

**Ceruzzi:** Yes, I have.

**Bannister:** He was, as you know, the founder of U.S. Timesharing.

**Ceruzzi:** One of the things that people talk about regarding the overall Northern Virginia economy is that if there's trouble in one sector, another sector can pick up. And it sounds like right now the professional services is picking up the slack from troubles in the

telecommunications sector. Sometimes it goes the other way, though. And it's healthy to have an ability to move back and forth from one to the other if that does happen.

**Bannister:** Well, that's why you build a broad-based company. At one time way, way back, we focused on aviation services. And something happens in aviation services, what are you going to do? So that's why we built a broad-based company and a broad spectrum of customers. I mentioned earlier, we were doing business with six agencies, all in the Department of Defense, in 1988. In 1995, we were doing business with 38 government agencies, so that gave us a very broad base.

### **Northern Virginia Economic Development Activities**

**Ceruzzi:** One last question, and that is, the Northern Virginia Technology Council, Jack Harrity, the real estate business and Audrey Moore. Do those names ring a bell with you?

**Bannister:** Oh, I know Audrey, and I know Jack Harrity.

**Ceruzzi:** George Johnson?

**Bannister:** I know George Johnson.

**Ceruzzi:** Was it important for DynCorp to be involved in these local issues of development?

**Bannister:** Yes, but in your book where you were talking about the Earle Williams and George Johnson getting together and the Economic Development Authority, at that time I was not the CEO of the company. Chuck Gulledge was and he was just as involved as the people you mentioned in your book. When he stepped down in the early 1980s, then I stepped into that role. But I got involved with George Johnson. In fact, George Johnson and Til Hazel and I think Milt Peterson formed a little group of businessmen here in the area, and once a month we'd sit at George Johnson's dining room table and talk about what are we going to do about the issues that face this community? And it was very quiet. We didn't tell anybody what it was about. We'd have the Governor come and we'd talk over a problem with him and it was totally off the record.

**Ceruzzi:** What was the primary issue that you talked about?

**Bannister:** Well, it was usually barriers to development and transportation. And that little group still exists today, I might add, but we don't meet at the dining room table anymore

because we have 30 members. We meet once a month, quietly, not at GMU. We began taking in so many people with that group that we started another group, which I was the founding chair of. It was called the Northern Virginia Business Roundtable, and we had 60-some members and we met openly and we tried to forge relationships with the Virginia Legislature to present our concerns. You know: "You guys are focused on stuff that isn't helping us, and you got to remember what percent of the taxes in the state are generated by us. And you're not spending it where we think it ought to be spent." And it was very good.

I think the one and only time in history, at one of our Business Roundtable meetings, I was able to get every member of the Northern Virginia Legislature into one room. I don't think they ever met in one room since then. So, yes, I was heavily involved in that sort of thing.

**Ceruzzi:** Because that was considered part of your job.

**Bannister:** Oh, absolutely. I was chair of the Northern Virginia Tech Council for three years, chairman of the Professional Services Council, and the Chamber and those organizations. You got to do that sort of thing.

**Ceruzzi:** Sounds like you never have solved the transportation crisis but is it because the area's so successful, is that the reason?

**Bannister:** I don't know that in my lifetime it'll ever be solved, and there are two reasons. One is there's not enough money. It's a money issue. VDOT's budget barely provides for maintaining the existing road system, let alone building it. The second is the resistance to roads. You know, I think it was in your book where you talked about the Fairfax County's plans.

**Ceruzzi:** The Techway, the bridge across the Potomac, yes.

**Bannister:** Yes, I was heavily involved in that. Went to the meetings where all the local citizens over there shouted at us and so forth, and that's unfortunate. That road should've been built crossing the Potomac. Well, actually the outer beltway should've been built in 1965 when it was put in the plan.

**Ceruzzi:** Well, okay, I think we've covered the important stuff and you'll have a chance to review the transcript and correct anything.

**Bannister:** Have many people read your book?

**Ceruzzi:** MIT does not have a big marketing program. Maybe you can tell your friends about it.

**Bannister:** Well, how many were printed?

**Ceruzzi:** Oh, there's plenty in the warehouses, no shortage of them. No, that's not a problem. The problem is that they don't market.

**Bannister:** Well, the group we talked about -- Johnson's gone now, but Alan Merton and Milt Peterson and Til – we still have a dinner meeting once a month, and I'm going to take my copy of the book to the next meeting. And I'm going to tell them all to buy it.

**Ceruzzi:** Well, I did interview Til and George, but I was a little bit nervous that I was going to upset somebody if I said something about this business about South America and I didn't want to ruffle any feathers or anything.

**Bannister:** DynCorp is proud of that project. That's a good example of something that's going on in the country that is outsourced and very few people know about it until an airplane gets shot down or we lose an employee or something. There's a whole fleet of aircraft which are maintained in Florida at Patrick Air Force Base and that's the group that supports that entire operation down there. Should the United States be spending a billion dollars a year to kill the poppy seeds down there? That's a political question, but the fact is that this country can organize the resources to answer that need.

**Ceruzzi:** Well, it was a lot of fun for me to learn about this and, you know, there have been 20, 30 books that come out regularly about Silicon Valley: what's the secret of Silicon Valley? A rare few have written about this place in any kind of in-depth way: what's the secret, what's the key? Obviously the key is Uncle Sam, the Pentagon, but there's more to it than that. It doesn't just automatically happen, and that's what I think your interview talks about. You want to find out what the customer wants, and that's a skill that doesn't automatically come to people. And you lose one out of three proposals, which is like batting in baseball. You have to learn how to live with the failure.

**Bannister:** Yes, and sometimes it's tough. By the way, I have some materials and videotapes that you might want to look at from the earlier years, the 1990s. When I was chairman of the Northern Virginia Business Roundtable, we put on a dinner every year where we talked about "infocom," – which was one of the words used back then – and talked about what Northern Virginia is all about.



**Ceruzzi:** Yes, that'd be interesting. Well, thank you very much; it's been very worthwhile for us.

**Bannister:** It's my pleasure. Talking about DynCorp's one of my favorite subjects.