Source: FPDS, Deltek

Army Spending on ITES-2S

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Army customers have put more than $3 billion worth of procurements through the Army's Information Technology Enterprise Solutions 2 – Services contract vehicle. Now that competition for the follow-on is expected to begin in fiscal 2015 it is worth looking at how that spending data shakes out by customer, product service code, and competitor. This post provides a brief analysis of all three spending areas to help industry prepare for the coming competition.

The Army's Information Technology Enterprise Solutions 3 – Services (ITES-3S) is one of the most hotly anticipated contract competitions coming in fiscal year 2015. For this reason I thought it would be worthwhile to provide readers with a brief analysis of spending by Army customers on the current iteration of the contract vehicle – ITES-2S. In the process of this analysis I'll also provide some insight into the performance of incumbent contractors as measured by their earnings with Army customers on this list. The data shown here comes from all contract actions that have been reported through the end of May 2014.

Top 10 Army Customers

The table below shows the ten Army customers that have obligated the highest amount of contract dollars on ITES-2S since the inception of the contract vehicle. Altogether, these customers alone have put $3 billion through ITES-2S. It is not surprising, perhaps, to see the Program Executive Office Enterprise Services at the head of this list. PEO EIS is the organization responsible for the administration of ITES-2S and its sister vehicle for commodity IT products – ITES-2H (now 3H). PEO EIS thus keeps much of its spending close to home, a reality that every vendor seeking to do work at EIS needs to know.
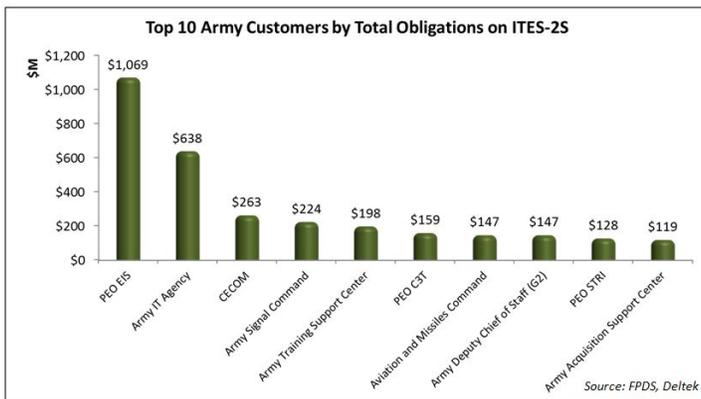
Top 10 Product Service Codes

Having identified the top spending entities using ITES-2S, let's take a look at what they are buying. The government data does not provide sufficient detail in all cases to make an apples to apples comparison by customer so the analysis will have to be limited to the Product Service Codes assigned to each purchase.
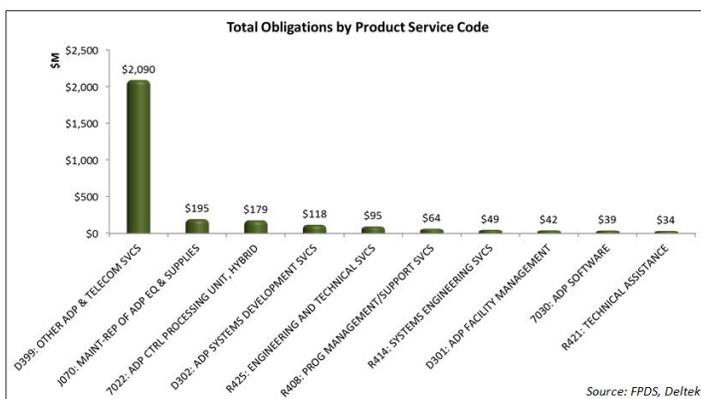
The table above shows that by far and away the most money obligated is for "D399: Other ADP & Telecommunications Services." D399 is a default code or general catch-all category for IT services, so the designation of work under D399 doesn't tell us much.

Looking at the numbers and categories that follow D399 we can get a little better idea of what the ten customers above are spending on. Using these categories we can determine that they are buying equipment maintenance and repair services ($195 million), systems development services ($118 million), and engineering/technical services ($95 million), among others. Interesting here is the amount spent in commodity IT categories - $179 million under PSC 7022 for computers and $39 million for software (PSC 7030) – totaling less than 1% of spending represented. Assuming that there is minimal equipment represented under D399, we can tentatively conclude that these customers aren't buying much new IT equipment as part of the services they are procuring through ITES-2S. These purchases probably all went through ITES-2H.

Top 10 Vendors

Lastly, let's take a look at the competitive landscape. All of the current players on ITES-2S can be expected to compete for places on the follow-on vehicle, so a comparison of earnings on 2S can provide a slight indication of potential strength in the follow-on competition. The chart below shows that Northrop Grumman and Lockheed Martin have both earned the most on ITES-2S, followed by a number of other companies. Curiously, Dell Federal is missing from this list despite having acquired Perot Systems, which was an original awardee on ITES-2S. Perot Systems had in turn acquired QSS Group, which was also originally on ITES-2S. Dell therefore receives credit in the data for three companies on ITES-2S and still it failed to crack the top ten shown on this graphic.
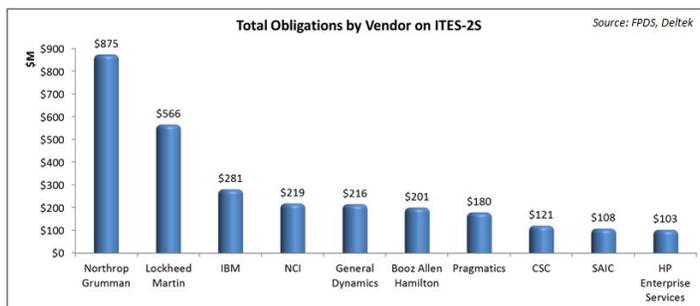
Parting Thoughts

ITES-3S is expected to be even more heavily utilized than its predecessor due to the Army's desire to push more of its IT acquisition dollars through a smaller number of contract vehicles. Therefore, in terms of customer spending, PEO EIS is likely to put an even greater percentage of its acquisition dollars through 3S. This makes it absolutely critical for competitors to know what EIS is working on and which kinds of solutions it wants to buy. One important consideration here is that EIS, like customers across the DoD as a whole, will be seeking solutions that can be implemented using commercial-off-the-shelf equipment and software. The more COTS products that bidders are able to put into their proposed solution sets, the more likely it is that EIS will give them the nod. More importantly, if bids can be based on a COTS baseline with readily identifiable commodity IT costs, bidders will have gone a long way toward giving EIS proposal evaluators the clarity they need when evaluating responses.

For more detailed analysis of task order contract vehicles used in the federal IT market, see Federal Industry Analysis' new report **Federal Information Technology Task Order Vehicle Trends**.