

## Spending on DISA's Encore II Contract Vehicle

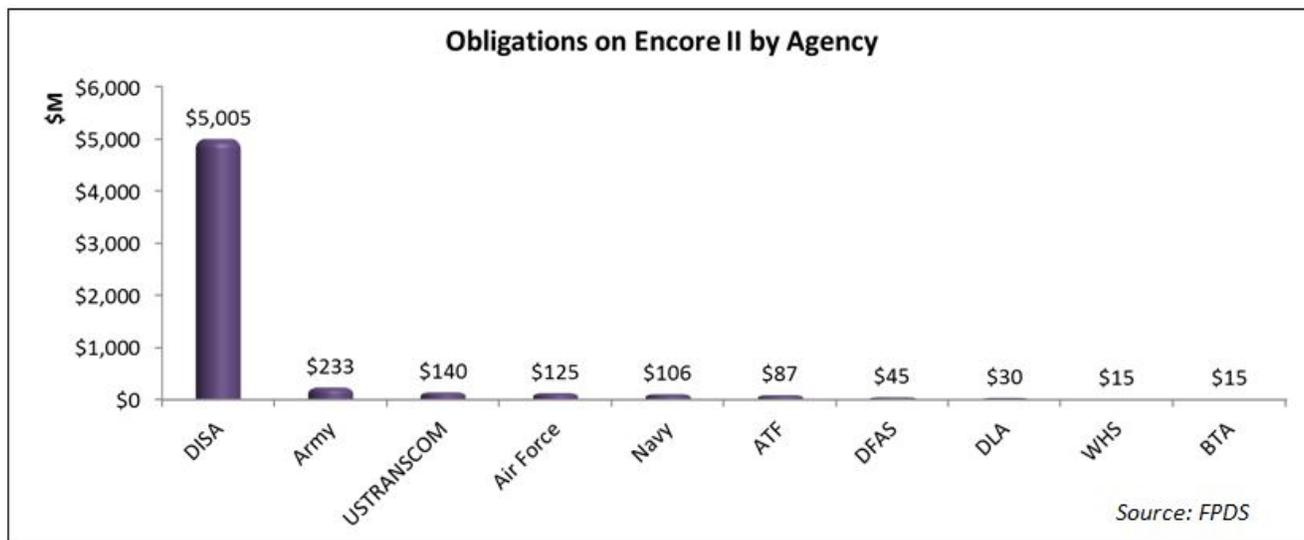
Posted At : September 23, 2014 9:35 AM | Posted By : Alex Rossino

Related Categories: Department of Defense, Contract Awards, Efficiency Initiatives, Federal, Forecasts & Spending, Procurement

Officials from the Defense Information Systems Agency confirmed at their recent Forecast to Industry that the competition for the Encore III contract vehicle will begin in fiscal year 2015. Encore III's predecessor, Encore II, has been heavily used by defense customers, with about \$5.8 in contract dollars going through it since fiscal year 2008. Encore III is expected to receive even heavier use, particularly since DISA officials have emphasized the coming consolidation of services contracts that are deemed duplicative. Given the agency's shrinking budget, it is not beyond the realm of possibility that in the years to come the overwhelming majority of contract spending on information technology services at DISA will go through Encore III. This implies that the available pool of competitive opportunities at DISA will be much smaller in the future, necessitating that interested vendors win a spot on Encore III. Laying the groundwork for bids includes understanding the customer base using Encore II and the top vendors on the vehicle, as all of these will probably be bidding on the follow-on.

### Top Customers

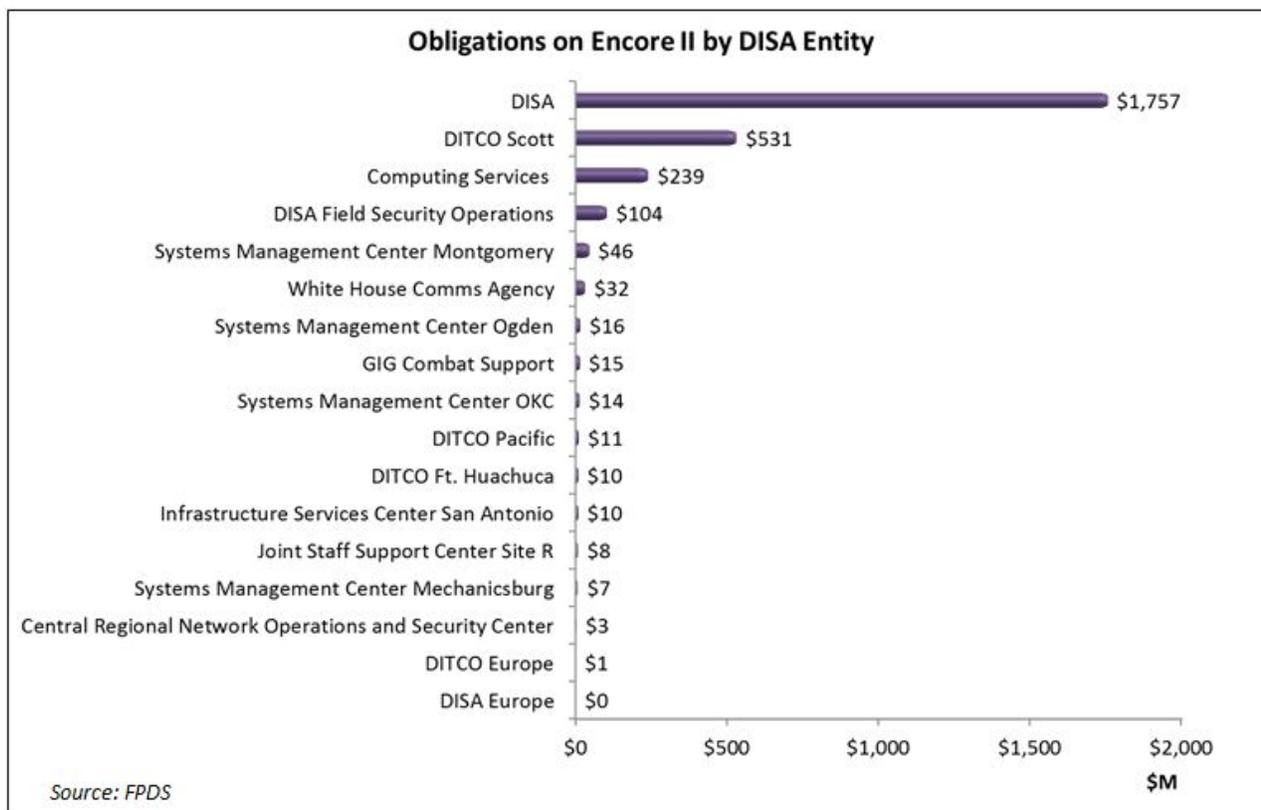
Looking first at the top customers using Encore II we can see, not surprisingly, that DISA spends the most contract dollars through the vehicle.



This said there are a number of other defense community users putting millions of dollars through Encore II. Of these, the Army comes in second with \$233 million in obligations. This is a trend I would expect to continue as the Army also narrows the number of contracts it uses for IT services and as it continues to look to "DISA-first." With \$87 million in obligations, the Bureau of Alcohol, Tobacco, and Firearms stands out as the lone civilian customer among those listed.

### Top DISA Customers

Narrowing the analysis to DISA customers only, we arrive at the following results.



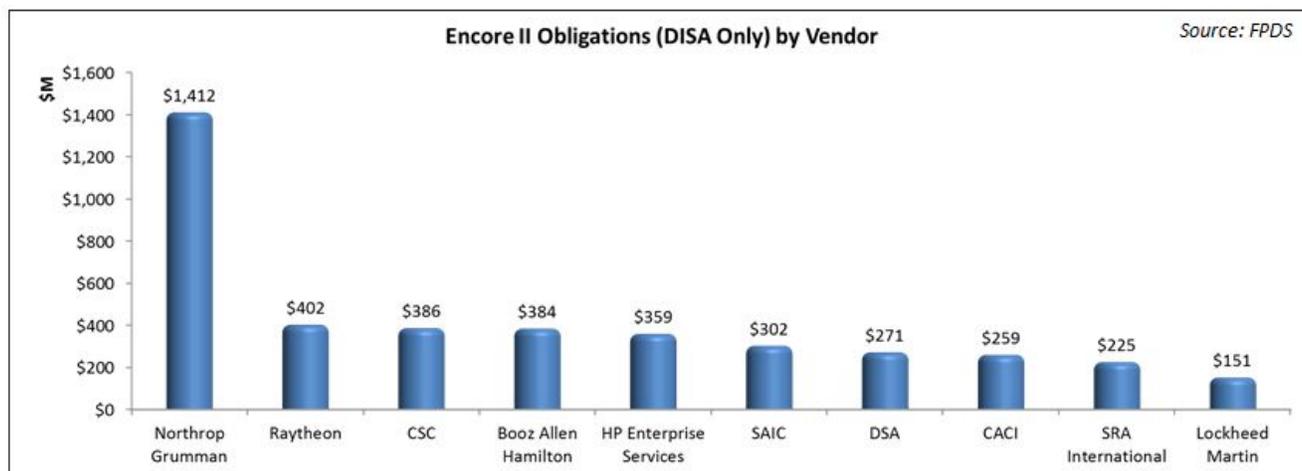
Readers will notice right off the bat that the total amount of dollars represented here does not equal the total amount listed as "DISA" in the first chart above. This is because of vagaries in the reporting. Often "DISA" is listed as the major spending agency in the available data, but when one gets down to the level of the office requesting the funding there will not be a customer given, or the customer will actually belong to one of the Services (e.g., Navy's Space and Naval Warfare Systems Command). Where the DISA-specific customer is available I have listed them here.

It is most informative when looking at this chart to zero in on the specific customers rather than the general categories, like "DISA" which sits at the top of the chart. Similarly, the spending listed under the various entities of the Defense IT Contracting Organization (DITCO) doesn't reveal much. Digging deeper we find that several organizations now under Chief Technology Officer Dave Bennett's Enterprise Information Services business unit use Encore II the most. These organizations include the former Computing Services Directorate, the Systems Management Centers, and the Infrastructure Services Center San Antonio. I would anticipate this trend to continue in the years ahead as DISA consolidates core data center support contracts and funnels more contract dollars through Encore III.

One other thing worth observing is the relative absence of spending related to the Defense Information Systems Network (DISN), now known as the Defense Information Network (DoDIN). I suspect there is spending here related to DISA's transport services, but it cannot be parsed out due to the lack of granularity in the data.

#### Top Vendors

Lastly, let's examine the top earning vendors on Encore II. The chart below shows the top ten highest earning companies by obligations from DISA alone.



The gap between companies number 2 (Raytheon - \$402M) through 5 (HP Enterprise Services - \$359M) is relatively slim. The earnings by Northrop Grumman, however, tower above them all, with \$1.4 billion representing almost 4x the next closest competitor. Noteworthy too is DSA, which the data says has been awarded \$271 million in contracts as a small business (partial). Presumably, DSA will not be able to compete for Encore III as a small business, which should

make the competition for large business slots that much more competitive.