Competitive Services Industry

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09 December 2009

Outline

- Services Scope
- Defense-Industry Horizontal Integration
- Competition by Sector
- Business Size by Sector
- Competitive Trends for past decade
- Summary

Bottom Line Up Front

Goal 5.2.4 Characterize competitive services industry – Characterize and assess the industry segments supporting DoD acquisition of services.

Conclusion

- Traditional DoD suppliers appear to prefer horizontal integration into the defense-specific service sectors.
- Related to general IP concern about why some companies choose not to do business with DoD.

Findings

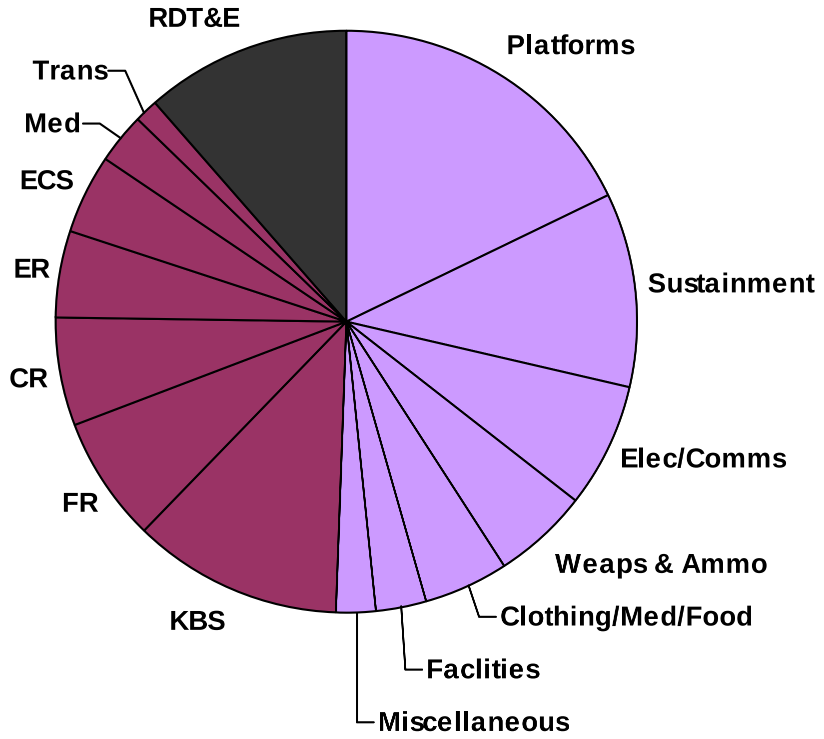
- Services and RDT&E ~50% of DoD contracts.
- Competition least in most defense-specific sectors.
- Top 10 DoD suppliers concentrated and horizontally integrated in defense-specific sectors.
- Business size does not correlate well to competition and appears to depend upon factors besides defense-specificity.

IP Objective: Encourage acquisition policies and decisions that remove barriers to entry and promote competition and innovation.

DoD Supplies/Services/RDT&E

Finding: Services and RDT&E =51% of DoD contracts.

	%	Value
Supplies	48.7%	$191.6 billion
Services	40.4%	$158.8 billion
RDT&E	10.9%	43.1 billion
Total	100.0%	$393.5 billion



R&D – Research, Development, Test & Evaluation

FR – Facilities Related

KBS Knowledge Based Services– Management Support, Professional and Administrative

ER –Equipment Related

CR – Construction related

ECS – Electronics and Communications Services

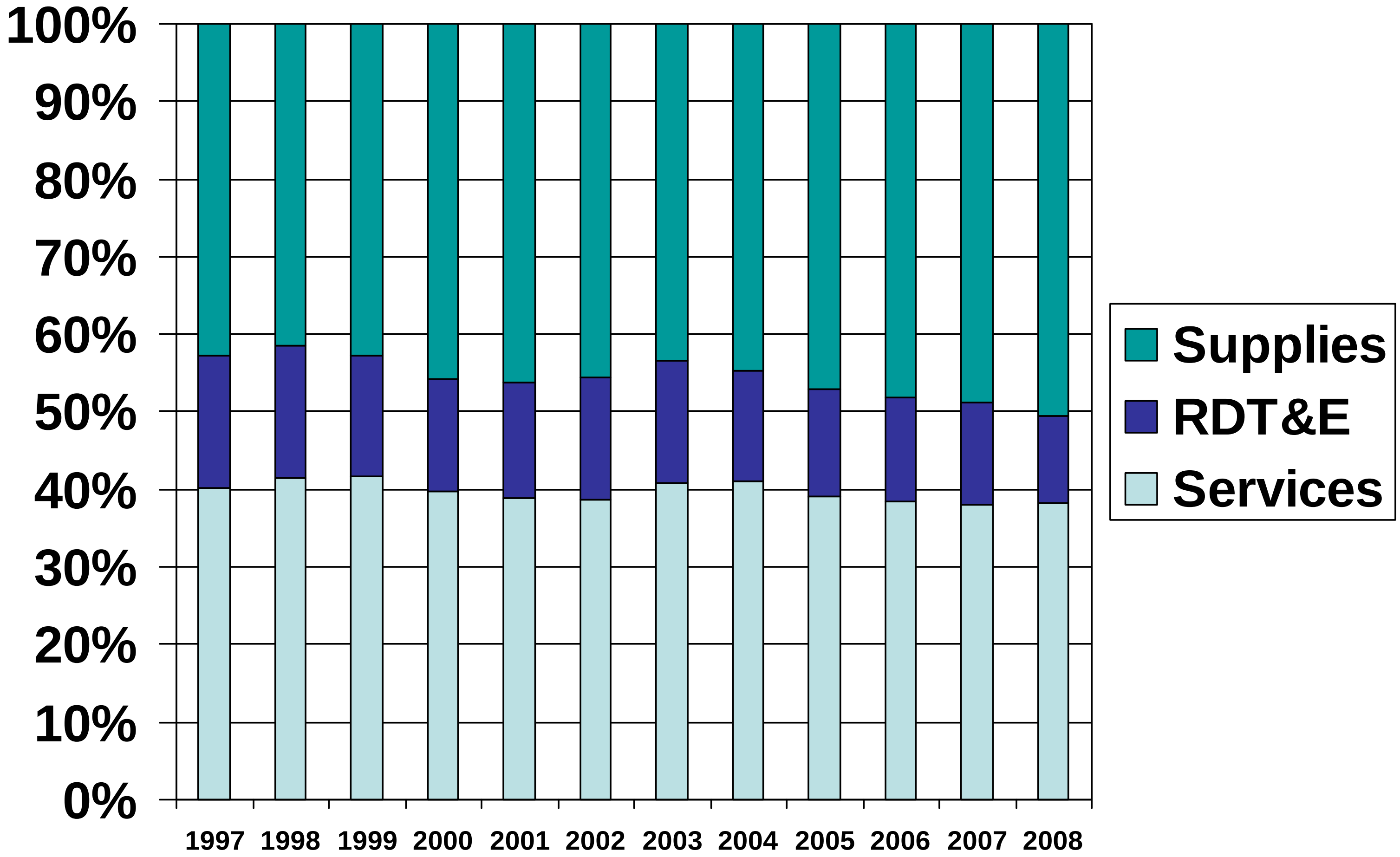
Med - Medical

Trans - Transportation

FY08 FPDS Data (as of: Jan 15, 2009, corrected)

Services Data
DoD Contracting Shares

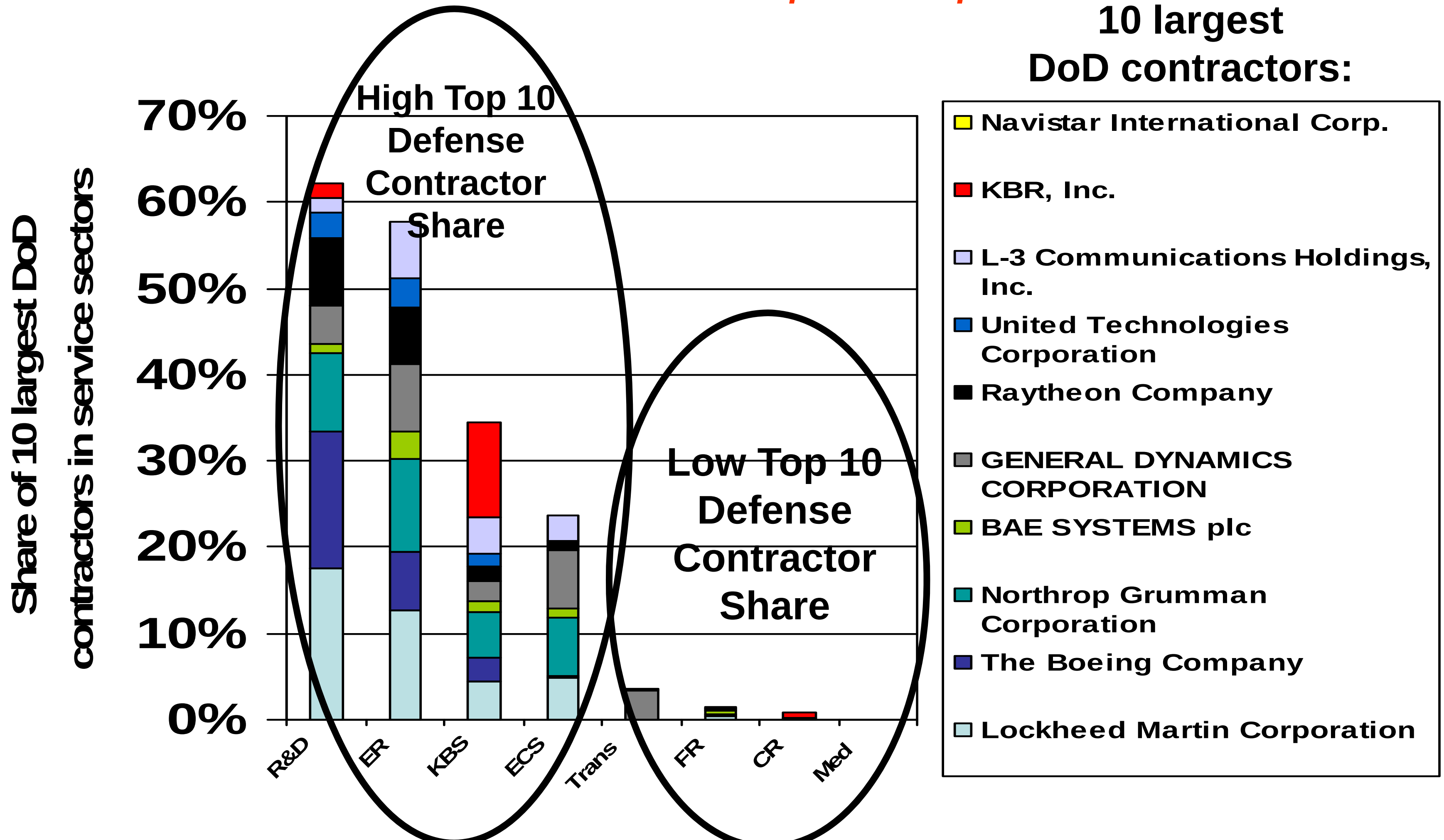
Finding: As a portion of DoD Contracting, R&D and Services are declining, supplies increasing.



Defense-Industry/Commercial-Industry Groups

Service Sector Horizontal Integration

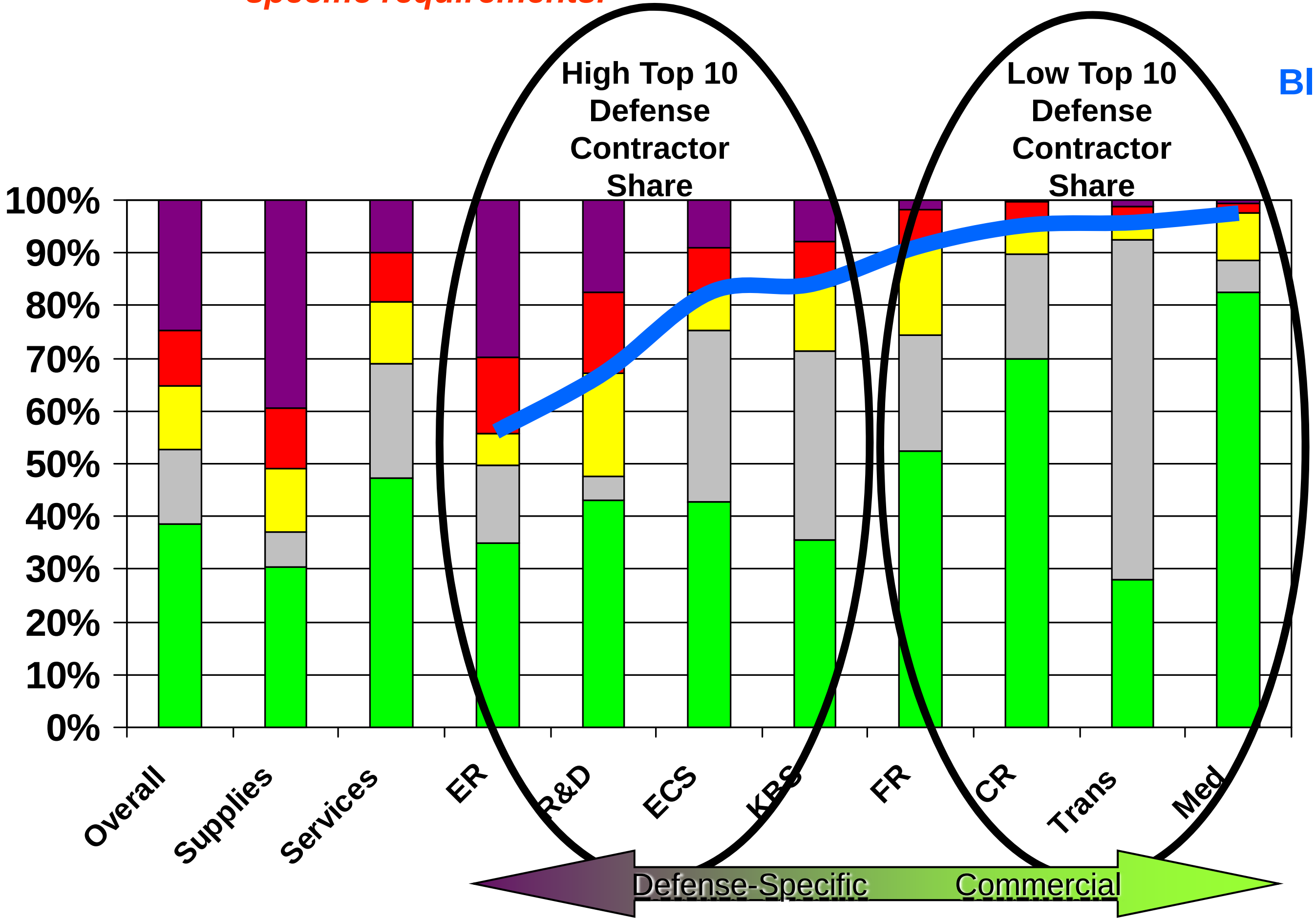
Finding: service sectors of most interest to the largest DoD contractors appear to be those with the most defense-specific requirements.



FY08 FPDS Data (as of: Jan 15, 2009, corrected)

Defense-Industry/Commercial-Industry
Competition by Service Industry Segment

Finding: Fewest to greatest competing offers appears to flow from most to least defense-specific requirements.



Blue Line: Shortage of Competing Offers

ER –Equipment Related

R&D – Research, Development, Test & Evaluation

ECS – Electronics and Communications Services

KBS –Knowledge Based Services

FR – Facilities Related

CR – Construction related

Trans - Transportation

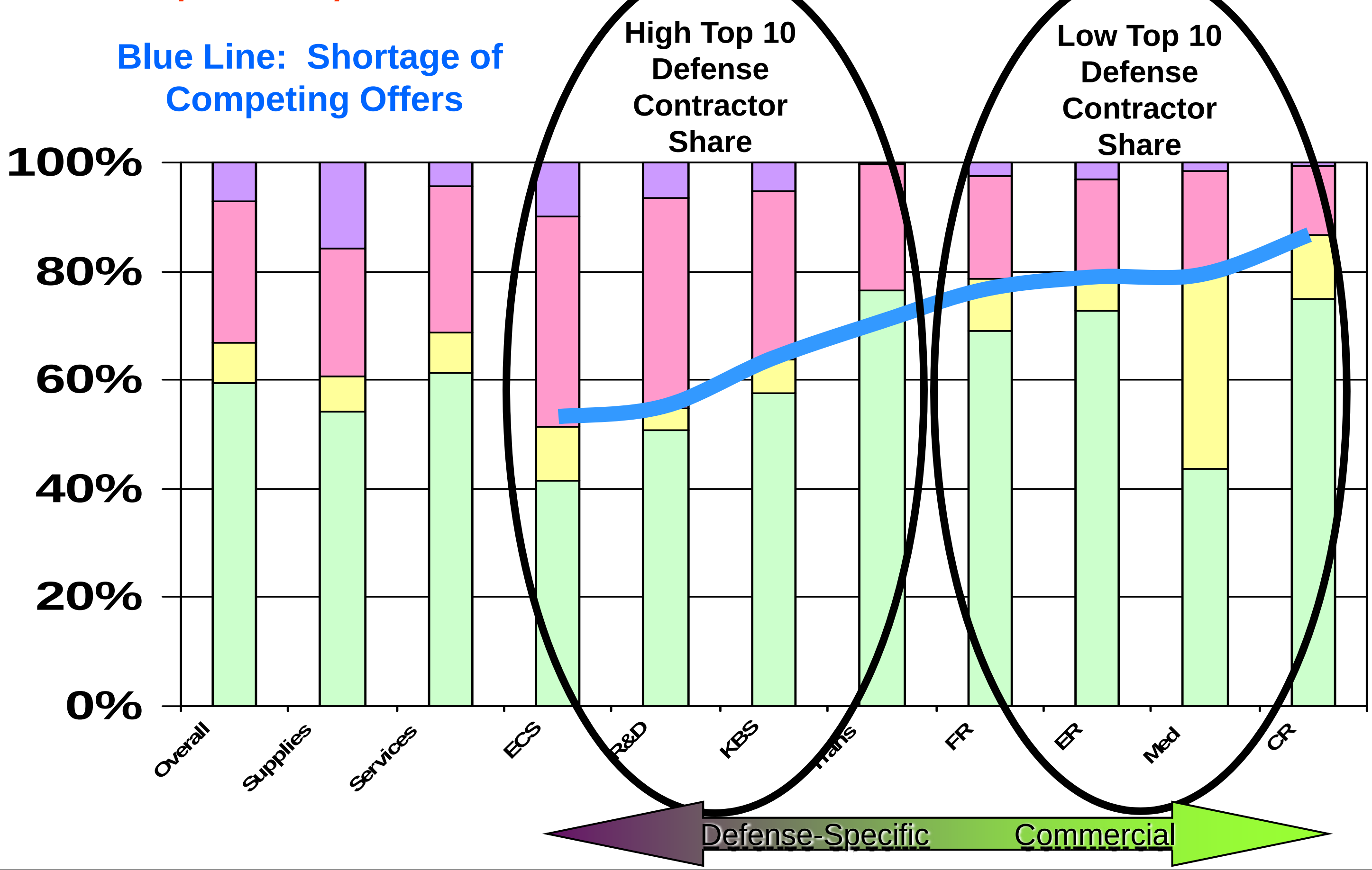
Med - Medical

Competed			Not Competed	
2 or More Offers	MA & FSS	Single Offer	Sole Source	Other Statutory Exceptions
Full Competition Benefit	MA & FSS	Shortage of Competing Offers		Other Statutory Exceptions

FY08 FPDS Data (as of: Jan 15, 2009, corrected)

2008 DoD
Multiple Award and FSS Contracts
Competition for Orders

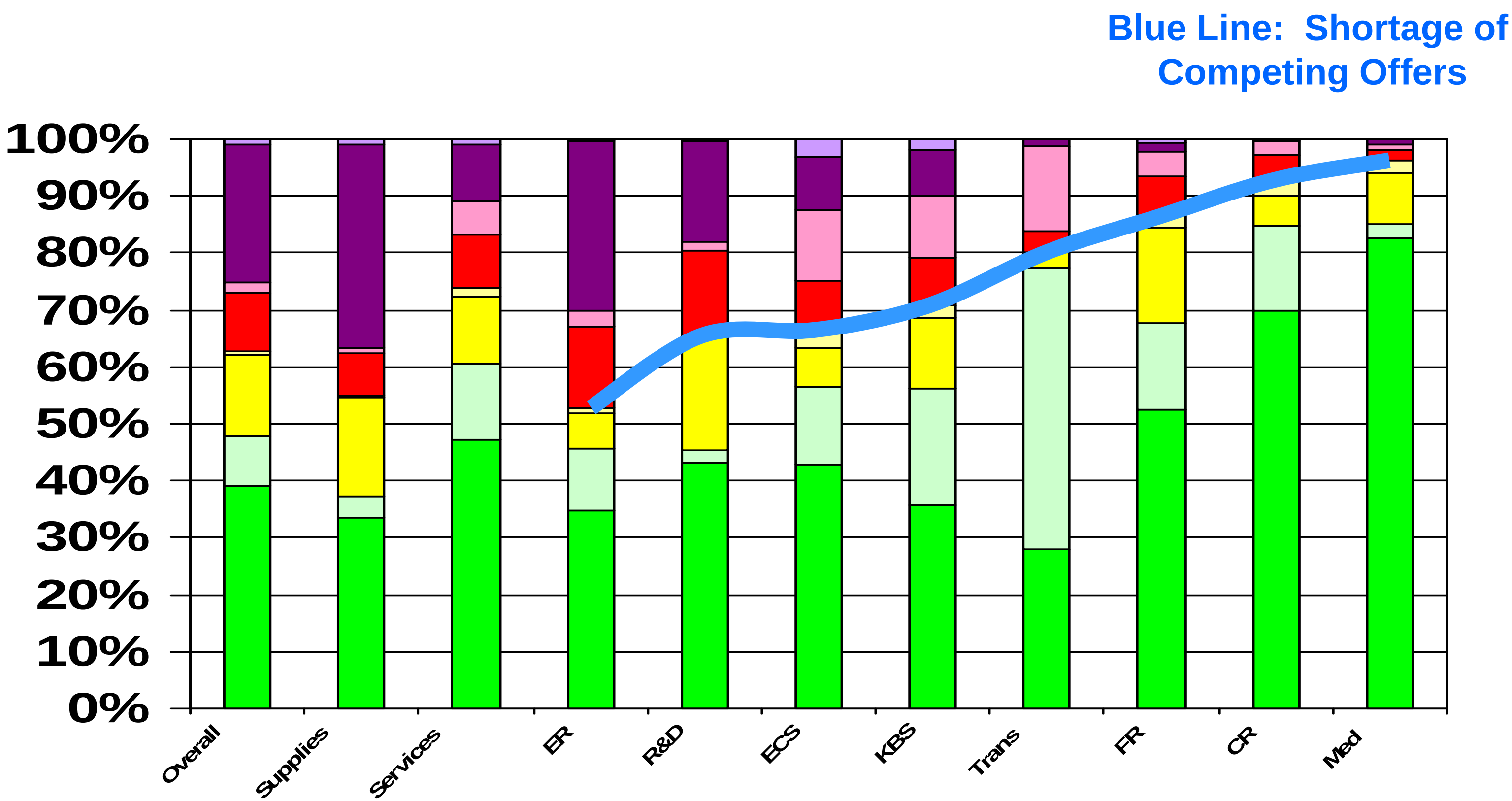
Finding: Fewest to greatest competing offers appears to flow from most to least defense-specific requirements.



Competed						Not Competed	
2 or More Offers	Multiple Award (Incl. FSS), 2nd Competion for Orders				Single Offer	Sole Source	Other Statutory Exceptions
	2 or More Offers	Other Statutory Exceptions	Single Offer	Sole Source			
Full Competition Benefit		Other Statutory Exceptions	Shortage of Competing Offers				Other Statutory Exceptions

FY08 FPDS Data (as of: Jan 15, 2009, corrected)

2008 DoD
Overall Contract Competition
and Competition for Orders Against MA Contracts

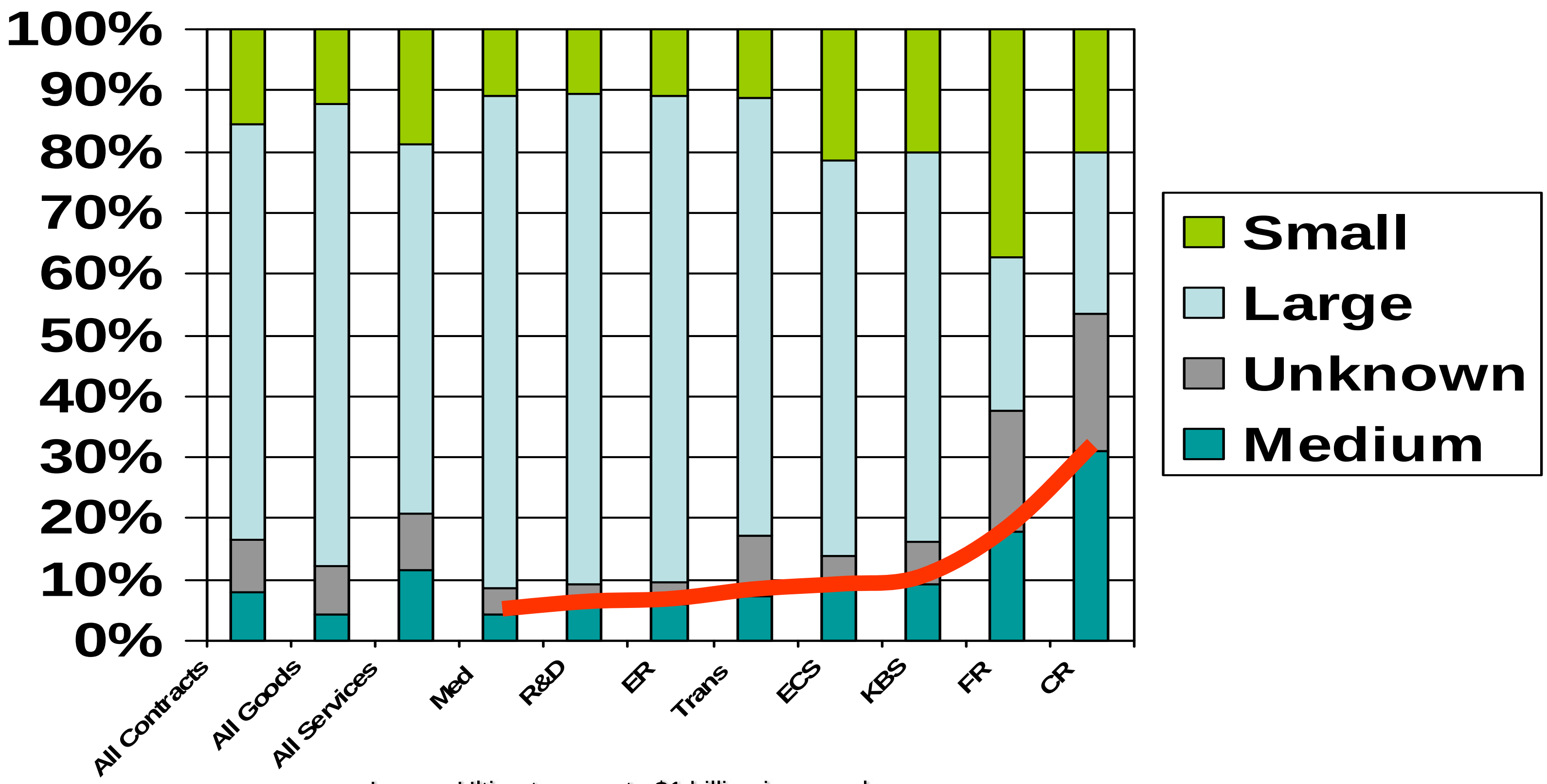


Competed						Not Competed	
	Multiple Award (Incl. FSS), 2nd Competion for Orders						
2 or More Offers	2 or More Offers	Other Statutory Exceptions	Single Offer	Sole Source	Single Offer	Sole Source	Other Statutory Exceptions
Full Competition Benefit		Other Statutory Exceptions	Shortage of Competing Offers				Other Statutory Exceptions

FY08 FPDS Data (as of: Jan 15, 2009, corrected)

Defense-Industry/Commercial-Industry
Business Size-Relative Share

Finding: Company size distribution does not correlate well with competition data; there appear to be additional factors in play.



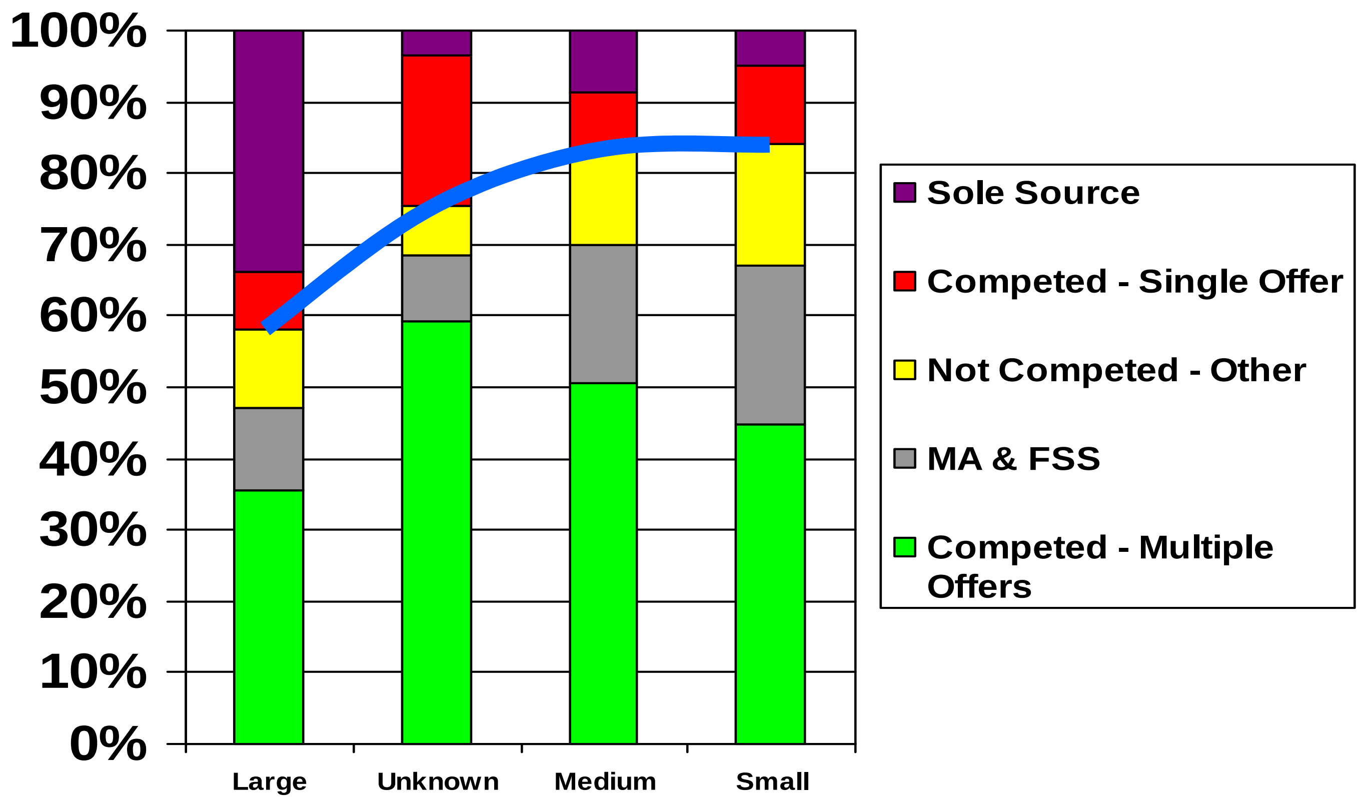
Large: Ultimate parent <$1 billion in annual revenues
Small: Small business as defined by SBA and <1$ billion in annual revenues
Mid-Tier: Smaller than large but not officially small
Unknown: Not officially small but annual revenues unknown

FY08 FPDS Data (as of: Jan 15, 2009, corrected)

Defense-Dominant/Commercial-Dominant

Business Size-Competitiveness in Services Industry

Finding: Mid tier and small companies do not receive as many sole source contracts.

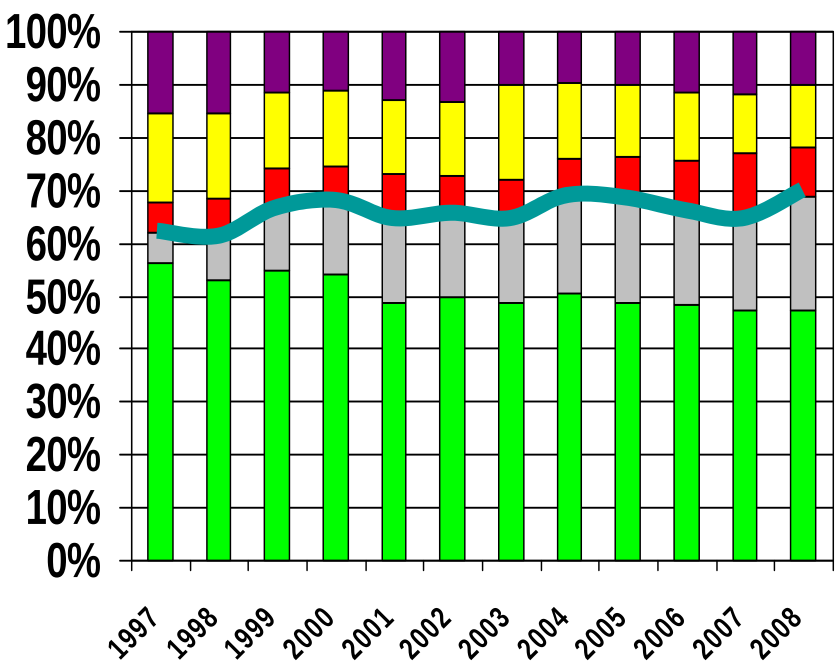


FY08 FPDS Data (as of: Jan 15, 2009, corrected)

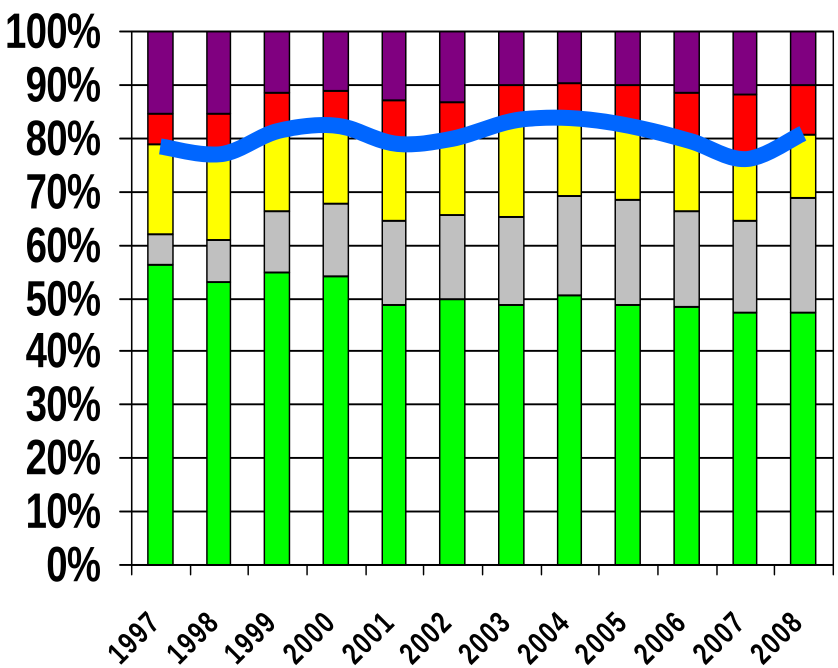
Contracting Procedure and Offer Trends for Services

Finding: Long term increase by dollar value in Multiple Award Contract actions and competed single offer contract actions.

Contracting Procedures



Sole Source and Single Offer

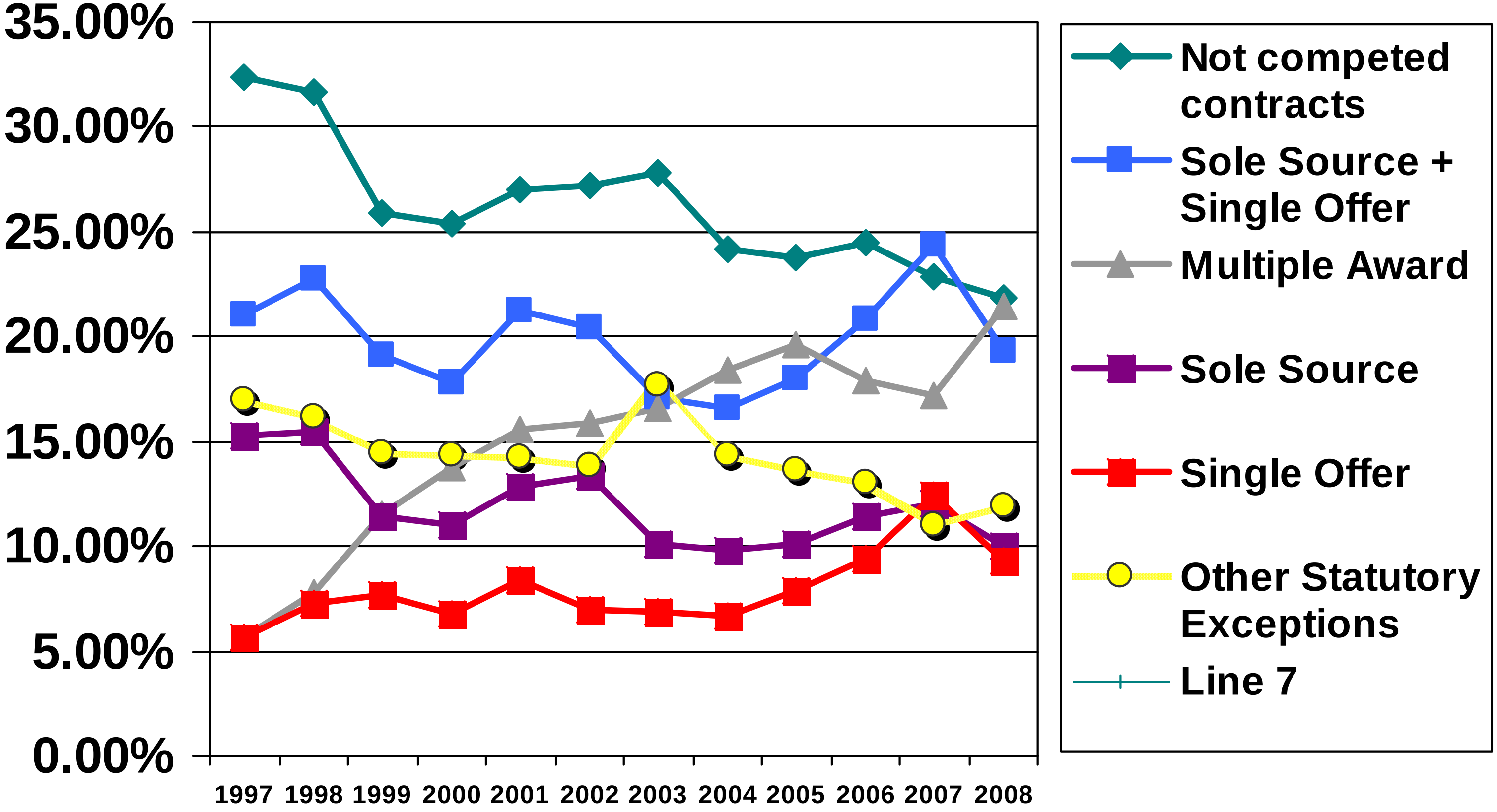


Competed			Not Competed	
2 or More Offers	Multiple Award (incl. FSS)	Single Offer	Sole Source	Other Statutory Exceptions
Full Competition Benefit	Inconclusive Offer Documentation	Lack of Industry Competition for Contracts		Other Statutory Exceptions

FY 97-06 DD350, FY 07-08 FPDS

Contracting Procedure and Offer Trends for Services

Finding: Long term increase by dollar value in Multiple Award Contract actions and competed single offer contract actions. Blue line shows that the overall decrease in non-competed contracts (green line) appears to be accompanied by an increase of equal magnitude in single-offer competed contracts (red line.) Data collection discontinuity noted in FY07 move to FPDS.



FY 97-06 DD350, FY 07-08 FPDS

Summary

Goal 5.2.4 Characterize competitive services industry – Characterize and assess the industry segments supporting DoD acquisition of services.

Conclusion

- Primary specific concern is competed services contracts receiving a single offer– study underway to assess.
- Related to general IP concern about why some companies choose not to do business with DoD.

Findings

- Services and RDT&E >50% of DoD contracts.
- Commercial-industry group and a Defense-industry group.
- Competition greater in commercial industry group.
- Mid-tier companies win larger share in the commercial industry group.

IP Objective: Encourage acquisition policies and decisions that remove barriers to entry and promote competition and innovation.

Backup

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- Statement Before The Committee On Oversight And Government Reform Hearing On Iraq Reconstruction: Reliance On Private Military Contractors; Alan Chvotkin, Vice President And Counsel, Professional Services Council; FEBRUARY 7, 2007.

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Industrial Policy

Goal 5: Reliable and Cost-Effective Industrial Capabilities Sufficient to Meet Strategic Objectives

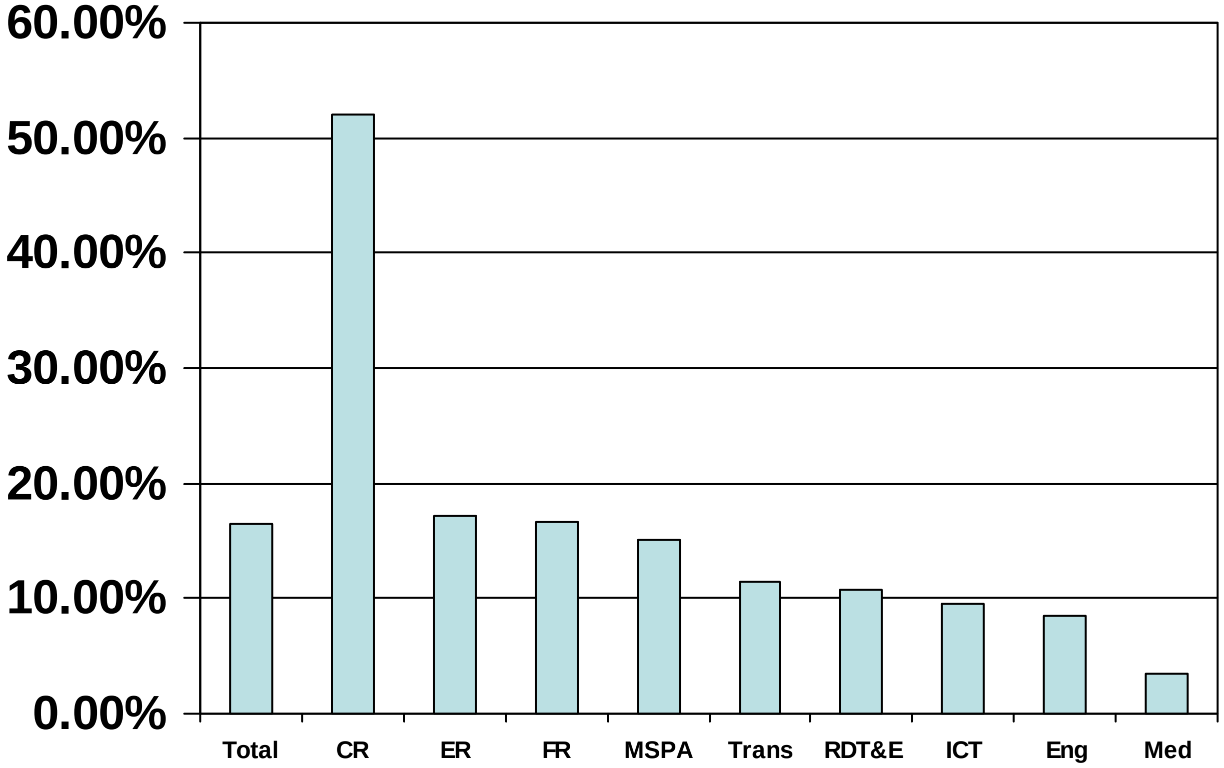
5.1 Effects of DoD policy and program decisions on the industrial base, and the extent to which industry decisions limit or expand DoD options, understood.

5.2 DoD research and development, acquisition, and logistics decisions expand and sustain the industrial base to encourage competition and innovation for essential industrial and technological capabilities.

5.3 Statutory processes and decisions leveraged to enable a capable, competitive, and reliable industrial base.

5.4 Contract finance and profit policies drive desired results.

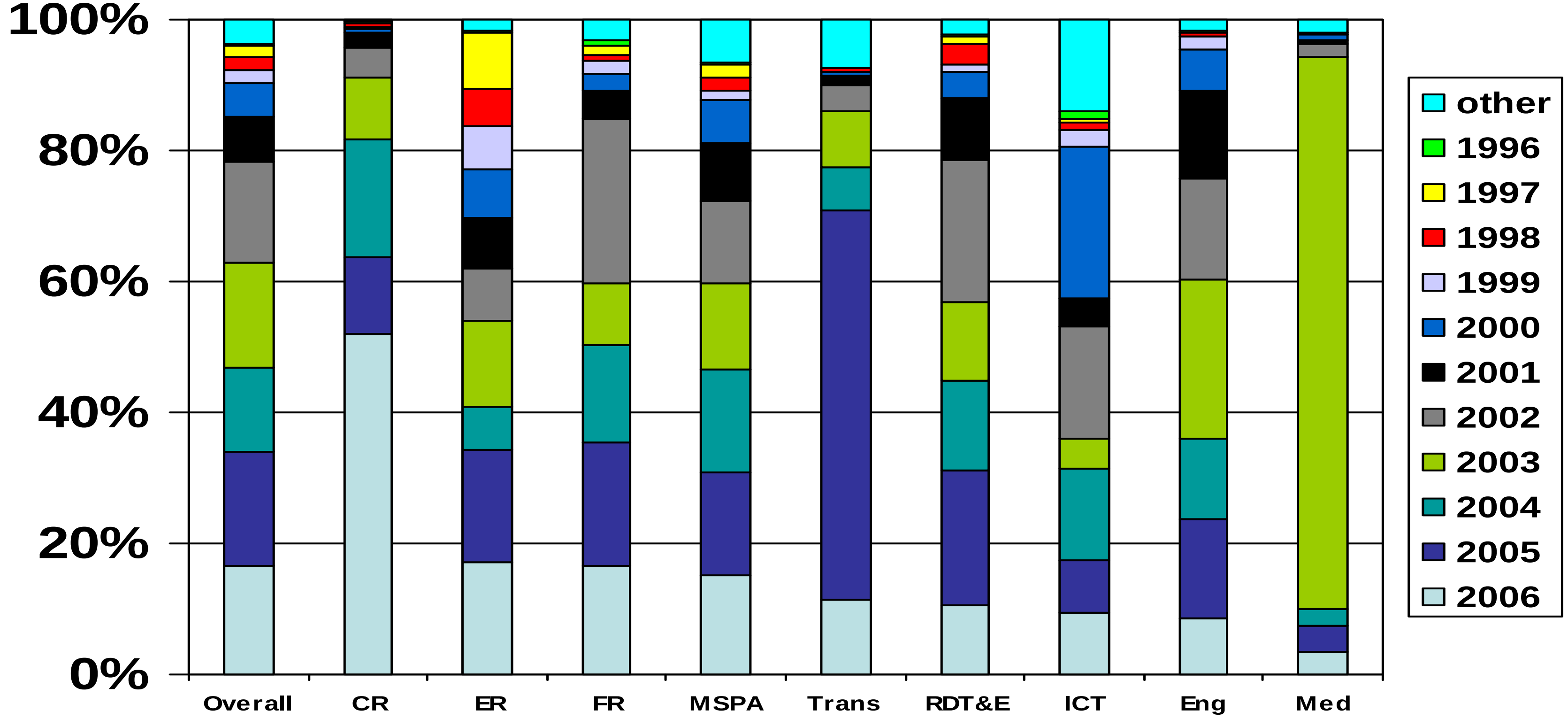
Percentage of FY06 Contract Actions on FY06 Contracts Addressable Market?



Note: Data assumes adherence to contract numbering convention for fiscal year of award; discrepancies expected.

FY 06 DD350 Data

Percentage of FY06 Contract Actions on all Contracts



Note: Data assumes adherence to contract numbering convention for fiscal year of award; discrepancies expected.

FY 06 DD350 Data

Services Data
Field Leading Companies

Sector	Contractor Name	Total
Research and Development	Lockheed Martin Corporation	6,933,867,350.40
Facilities Related	URS Corporation	662,363,806.86
Knowledge-Based Services	KBR, Inc.	4,953,678,569.61
Equipment Related	Lockheed Martin Corporation	2,295,594,606.93
Construction	Hensel Phelps Construction Co.	1,279,455,342.25
Electronics & Communications Technology	Hewlett-Packard Company	1,703,245,999.89
Transportation	FED EX	1,785,873,190.83
Medical	HUMANA	2,948,837,306.49

FY08 FPDS Data (as of: Jan 15, 2009, corrected)

Services Data

Largest Contract in each Service Category

Segment	Company	Product	Value
R&D	Lockheed Martin Corporation	DEFENSE AIRCRAFT (OPERATIONAL)	3,018,443,948
Facilities Related Services	Bechtel Group, Inc.	GOCO Operation	472,626,329
Knowledge Based Services	KBR	LOGCAP	3,823,707,317
Equipment Related Services	Lockheed Martin Corporation	MAINT-REP OF AIRCRAFT COMPONENTS	708,946,862
Construction Services	The Shaw Group Inc.	CONTRUCT/ALL OTHER NON-BLDG FACS	695,489,766
Electronic and Communications Services	Hewlett-Packard Company	OTHER ADP & TELECOMMUNICATIONS SVCS	771,509,663
Medical	HUMANA	GENERAL HEALTH CARE SERVICES	2,940,578,256
Transportation	FED EX	American Auto Logistics Lp	187,850,021

FY08 FPDS Data (as of: Jan 15, 2009, corrected)