EXECUTIVE OVERVIEW

Federal ADP Facilities Management and On-Site Operation and Maintenance Services Market 1985-1990

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To Our Clients:

This summary is an excerpt from a full research report, Federal ADP Facilities Management and On-Site Operation and Maintenance Services Market, 1985-1990 issued as part of INPUT's Federal Information Systems and Services Program (FISSP). A complete description of the program is provided at the end of this Executive Overview.

If you have questions or comments about this report, please call INPUT at (415) 960-3990 and ask for the Client Hotline.

REPORT ABSTRACT

INPUT now predicts that the federal government facilities management market will increase at an average annual growth rate of 12% in the 1985-1990 period. This market is expected to increase from $740 million in 1985 to $1.3 billion in 1990.

There are a number of forces that will significantly influence the direction and strength of the marketplace. These include (but are not limited to):

- Staffing requirements of the large new and replacement ADP facilities already undergoing implementation are expected to exceed trained government personnel availability.
- A number of large systems integration programs, with projected contractor support requirements extending over 10 to 24 years, will be needed to implement emerging technological developments.
- DoD and NASA are transferring facility support contracting to "mission-based contracts."
- In-house federal data centers have become eligible vendors of facilities management services under the revised OMB A-76.

The Federal ADP Facilities Management Board analyzes agency plans for the future use of FM and O&M. The report identifies 104 ADP contracts that will be competed through 1990 and estimates their respective annual dollar values. Agency selection criteria, vendor performance characteristics, and contracting policy and preference are also viewed.

OVERVIEW CONTENTS

*A. FEDERAL FACILITIES MANAGEMENT MARKET FORECAST

- INPUT estimates that the federal government facilities management market will increase from $740 million in FY 1985 to $1.29 billion by FY 1990, at an average annual growth rate of 12%.

- Processing Facilities Management (PFM) or COCO (Contractor-Owned, Contractor-Operated), as it is called in the government, will increase from $200 million to $420 million, at an AAGR of 16%.

  - The AAGR of PFM has declined from 20% in 1983 and 19% in 1984.

  - The key factor has been implementation of new systems in the improved Information Technology Budget Authorizations, reducing demand on outside sources of ADP.

- Professional Services Facilities Management (PSFM) and Operations & Management (O&M) or GOCO (Government-Owned, Contractor-Operated) will increase from $540 million to $870 million, at an AAGR of 10%.

  - The AAGR declined from 13% in 1984.

  - Several factors negatively influence GOCO growth:

    - Market maturity and its moderate growth rates.

    - Lower overhead expense recovery rates and resultant lower recompetition prices.

    - Lack of agency incentive to contract-out ADP support under OMB A-76.

*Updated 8/85

EXHIBIT II-1

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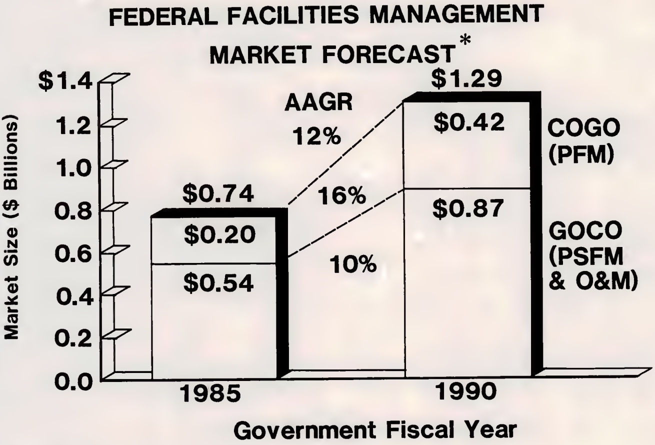

AAGR: Annual Average Growth Rate

*Updated 8/85

B. FEDERAL FM/O&M MARKET FACTORS

- Several federal policy and contracting regulation changes in the past year can affect this market.

  - OMB Circular A-76 has been assigned a new role.

    - Changed to the Productivity Improvement Program.

    - Oversight shifted from OFPP to OMB.

    - Related to new OMB management evaluation procedure.

  - FM/O&M activities are included under the new FIRMR effective April 1984. Few FM activities will be retained under FAR.

  - Proposed expansion of the Service Contract Act to include ADP GOCO was defeated in court. High technology salary immunity to wage determination by DOL may change with administrations.

  - Expansion of mission contracting in NASA and DoD will permit introduction of vendor staffing efficiencies.

  - Vendors and agencies view the implementation of large-scale systems integration programs as potential FM contracts, pending federal staff conversion and training.

EXHIBIT II-2

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FEDERAL FM/O&M MARKET FACTORS

- **OMB A-76 P.I.P.**
- **F.I.R.M. Regulations**
- **Service Contract Act**
- **Mission Contracting**
- **Systems Integration Programs**

C. COMPETITIVE BID SUCCESS FACTORS

- Comparison of the relative importance of bid and proposed characteristics to agencies and vendors reveals some major differences in opinion.

- Although agencies did not identify price as a key factor, most FM/O&M awardees are the lowest, or nearly the lowest, acceptable bidder.

- Staff experience with the hardware, software, and primary ADP objectives carries substantial weight in selecting the contract winner.

- Vendors still rate incumbency as a major factor, but several key awards in FY 1985 went to other vendors for a variety of offered reasons.

- While agencies did not rate federal contract experience as significant, few vendors without that background have won any important FM/O&M programs.

EXHIBIT II-3

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COMPETITIVE BID SUCCESS FACTORS

AGENCIES	RANK	VENDORS
Support	1	Price
Staff Experience	2	Incumbency
Applications Experience	3	Staff Experience
Software Experience	4	Federal Experience

D. AGENCY FM/O&M SATISFACTION LEVELS

- Retention of current FM/O&M contracts is as important to incumbents as winning new contracts.

- Some agencies routinely replace on-site support vendors every three-to-five-year contracting cycle; others retain effective incumbent vendors as being more efficient for their operation.

- The difference in the relative importance of performance factors to agencies and vendors may provide a clue to incumbency retention.

  - Responsiveness to changing agency priorities is most important to the client, but did not rank in the top four factors with vendors.

  - Both recognize quality as the second most important factor. Vendors who do not rate quality as important are usually replaced.

  - Both identify quantity and delivery (per schedule) as significant, but at different levels.

- Emphasis of agency priorities need to be a major part of the vendor business strategy.

EXHIBIT II-4

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AGENCY FM/O&M SATISFACTION LEVELS

AGENCIES	RANK	VENDORS
Response	1	Quantity
Quality	2	Quality
Delivery	3	Cost
Quantity	4	Delivery

E. RECOMMENDATIONS - COCO MARKET

- The COCO marketplace is well established. Significant entrance may be best made via acquisition of a current in-place contractor.

- Potential COCO vendors should explore the prospect of upgrading an RCS contract to meet unique agency requirements. Several current vendors moved from GSA-TSP to separate contracts to COCO agreements.

- Agencies with rapidly changing information technology requirements, especially for the newest available commercial technology, are prime candidates for COCO contracts.

  - Prospects could improve if Congress funds the "Buy-Not-Lease" mandate, because leases provide upgrades.

  - Newer relational data base systems and distributed processing based on micros are in demand.

- Innovative investment and pricing are needed to provide cost-effective alternatives to agencies requiring additional ADP capacity.

EXHIBIT II-5

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RECOMMENDATIONS - COCO MARKET

- Acquisition of Current COCO Vendor
- Upgrade RCS Contracts
- Newer Technology Prospects
- Cost-Effective Alternatives

F. RECOMMENDATIONS - GOCO MARKET

- Incumbency continues to offer the best prospect for retaining market share, if the vendor is not overcome by complacency or poor management.

- New competitors need to invest the time and effort required to develop a firm installation intelligence based on:

  - Facility mission--present and future.

  - Facility management procedures.

  - Contracting procedures and preferences.

  - Out-year budget prospects.

  - Client-desired operating changes.

- Project and/or site management policies must be established before preparing the proposal and must correlate well with prospective client desires.

- Bidding strategy and key elements of the proposal must be developed early in the bidding cycle, by either an incumbent or a challenger.

- Pre-bid subcontract agreements can be essential to:

  - Satisfy agency small business goals.

  - Provide special skills identified by client.

  - Enhance experience base with ADPE, software, or facility operations.

EXHIBIT II-6

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RECOMMENDATIONS - GOCO MARKET

- Incumbency
- Installation Intelligence
- Management Policy
- Bidding Strategy
- Pre-Bid Subcontracting

FEDERAL ADP FACILITIES MANAGEMENT
AND ON-SITE OPERATION AND MAINTENANCE SERVICES MARKET,
1985-1990

CONTENTS

*Updated 8/85

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FEDERAL ADP FACILITIES MANAGEMENT
AND ON-SITE OPERATION AND MAINTENANCE SERVICES MARKET,
1985-1990

EXHIBITS

Billions of dollars will be spent by the federal government on information systems and services during the next few years.

The majority of those dollars will go to vendors who know enough about federal procurement practices to sell effectively in the government marketplace — who can penetrate the incredible maze of different agencies' plans and policies and *make it work for them.*

INPUT's Federal Information Systems and Services Program (FISSP) can help your company penetrate that maze.

The program includes detailed reports, data base access, and guidance from experienced Washington consultants to help you identify and track major procurements from the time they are conceived to their eventual award or cancellation.

With this kind of market research support and objective information on field activities, you avoid the dead-ends in the federal maze. Your sales force is more effective, and you get the best possible return on the money and energy you invest in bidding on government contracts.

Tactical Planning and Sales Support

INPUT's FISSP is the only subscription service that gives you:

- **Contract Intelligence** — INPUT tracks the major contracts for information systems and services (including information on duration, type, options, etc.), and helps you identify your competition.
- **Demand Forecasts** — The program gives you an accurate forecast of information systems and services demand by agency *and* by type of service.
- **Expenditures Trends** — FISSP includes data on the information systems expenditures of specific agencies, categorized by type of system or service.

In short, INPUT's FISSP is an invaluable tool for those companies serious about selling in the federal marketplace.

Procurement Intelligence

The backbone of the program is a series of *Procurement Analysis Reports* that analyze more than 350 major information systems and services acquisition plans of executive agencies over the next five years. These acquisitions include multiple procurements and will account for over $11 billion this year.

For each procurement plan, the report pinpoints:

- Size and timing of projected awards;
- Competitive environment;
- Background of the acquisition;
- Impacts of related contracts;
- Future demand for software, hardware, telecommunications, training, site preparation/operation, maintenance, and management.

Specific Market Intelligence

The program also provides a series of five reports on specific federal information service mode markets:

- **Systems Integration Report** — Includes both integrated systems and systems integration services.
- **Processing Services Report** — Covers primarily RCS, including that portion under TSP. Also covers user services hardware systems, and forecasts directions of TSP through 1985 and 1986.

- **Professional Services Report** — Covers I.V. & V. (independent verification and validation), software and hardware maintenance, and site preparation, as well as programming and analysis, consulting, education/training, and code conversion.
- **Facilities Management Report** — Covers both the prime and major subcontract positions, including TPM, for processing facilities management (COCO: contractor owned, contractor operated) and professional facilities management (GOCO: government owned, contractor operated).
- **Embedded Systems Report** — Includes software and hardware for field-deployable mission-essential systems.

These reports zero in on particular vendor opportunities, and include analyses of: major competitors in each agency; contracting trends; agency selection criteria and preferences; agency plans to replace existing resources; impacts of new technology, and more.

Continuous Research Support

In addition to these publications, INPUT provides four kinds of ongoing research support:

- **Hotline Inquiry Service** — If you have a question related to a procurement in the government marketplace, the Hotline staff will give you rapid and accurate response.
- **Data Base Access** — If you need to see the original information we use in our reports, you can review our data base of agency interviews. Only program subscribers have this privilege.
- **Library Access** — The Washington office of INPUT has an expanding library of information on federal procurement activities that you can use at any time.
- **Company Data Base Access** — FISSP subscribers will be able to tap INPUT's proprietary data base of over 4,000 companies for subcontractors to perform tasks for major procurements.

Client-Directed

To ensure that this massive data gathering and analysis operation is giving you the answers *you* need, on the questions crucial to *your* success, INPUT management will meet with you each June to decide on the research program for the following year.

Answers

Who are the major competitors for contracts in any given program?

Which Defense programs will be affected by the congressional mandate on buying, rather than leasing, automated data processing equipment?

For any given new information system, which software language will be required?

Which Small Business firms have experience in this system's functional area?

Only INPUT can give you the answers to these and a host of other questions about specific activities in the federal information systems and services marketplace.

Only INPUT's interview and document research program is comprehensive, penetrating, and completely reliable.

Reap the benefits. See the enclosed authorization form or give us a call today.

About INPUT

INPUT provides planning information, analysis, and recommendations to managers and executives in the information processing industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions. Continuing services are provided to users and vendors of computers, communications, and office products and services.

The company carries out continuous and in-depth research. Working closely with clients on important issues, INPUT's staff members analyze and interpret the research data, then develop recommendations and innovative ideas to meet clients' needs. Clients receive reports, presentations, access to data on which analyses are based, and continuous consulting.

Many of INPUT's professional staff members have nearly 20 years' experience in their areas of specialization. Most have held senior management positions in operations, marketing, or planning. This expertise enables INPUT to supply practical solutions to complex business problems.

Formed in 1974, INPUT has become a leading international planning services firm. Clients include over 100 of the world's largest and most technically advanced companies.

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