The Information Technology (IT) Competitiveness Coalition - ITCC
Supporting Resiliency in the Government IT Supply Chain

The Landscape

The Washington, DC metroplex is home to thousands of small, mid-tier, and large technology companies. These companies have proven their value through the successful delivery of complex, innovative and critical technology contracts supporting the federal government. They are the result of a successful small business policy creating tens of thousands of good paying jobs within the mid-Atlantic region and across the country, giving the federal government access to a valuable talent pool. Healthy expansion of this ecosystem can help the federal government expand the IT industrial base. Emerging (mid-tier) companies play a critical role in this ecosystem.

However, government procurement practices often inhibit emerging companies from competing on a level playing field with large businesses for market access to Governmentwide Acquisition Contracts (GWACs). As currently proposed, the General Services Administration's Alliant 3 Unrestricted GWAC[1] overemphasizes historic past performance criteria. These past performance thresholds are often larger than the task order contracts being awarded.

According to the scope of work objective outlined in the Alliant 3 draft request for proposal (RFP), "The Alliant 3 GWAC will provide Federal Government agencies with integrated Information Technology (IT) solution services for evolving needs on a global basis. This Master Contract allows for the application of technology to meet business needs including the ability to perform all current, leading edge and/or emerging IT services required to satisfy all IT services requirements anywhere and anytime worldwide."

Furthermore, the draft RFP states, "The primary goals of Contractor Engagement program are:

1) to provide federal agencies with responsibly prepared Contractor Proposals/Quotes in response to each Task Order Request for Proposal/Request for Quote (RFP/RFQ) competitively issued under the Master Contract so to help provide best-value solutions to federal agencies' IT services requirements, and

2) to promote, provide, and ensure that those federal agencies employing the Alliant 3 GWAC are consistently receiving adequate and effective competition in response to their RFPs/RFQs."

Participation in GWACs should be encouraged from companies that have graduated from the small business category, gaining valuable experience across multiple agencies, but have yet to have the opportunity to trigger a government-controlled process of financial system audits and reviews. Present federal government practices encourage contract award criteria and scoring that benefit larger companies, which receive higher scores due to the size and scope of their past performances. These factors can end up creating unnecessary barriers to competition and ultimately result in shrinking the industrial base instead of expanding it.

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1 https://buy.gsa.gov/interact/community/193/activity-feed

A case in point, the Government Accountability Office (GAO) published a study[2] in 2019 finding that from fiscal years 2008 to 2017, very few small businesses that were awarded limited competition (set-aside) contracts grew to be mid-sized companies that continued to receive government contracts. Based on this study, GAO suggested a set-aside category for mid-sized businesses to shore up the IT industrial base. The National Institutes of Health Information Technology Acquisition and Assessment Center (NITAAC) followed suit and created an Emerging Large Business category in the CIO-SP4 GWAC.[3]

The Problem

Typically, only the biggest and smallest firms are competitive when pursuing GWACs, which like Alliant 3, are worth billions of dollars. The reason for this is that federal agencies like GSA, issue small business set-aside GWACs and large business/unrestricted GWACs – but little in between. Access to GWACs is critical to the long-term success of any government IT contractor. Emerging information technology firms continue to struggle in an environment that favors those entering the market, and those who dominate the market. The federal government should look for GWAC opportunities that can provide broad market access and allow for a continuum of growth opportunities for the industrial base. Federal policy makers should consider the following points when making contracting decisions on multi-billion-dollar GWACs:

1) How can this contract vehicle help maintain a strong industrial base of IT providers?
2) How can costs be contained through active competition?
3) How can the federal government encourage innovation?

Our member companies have participated in extensive listening sessions with GSA staff and have articulated the following:

- The current use of self-scoring proposals — that award points for factors including very large past performance size — may not be relevant for the vast majority of the work performed under the vehicle.

There are two principal reasons for this: 1) the number of awards, and 2) the past performance criteria.

#1: The Number of Awards: Our greatest concern with the present structure of Alliant 3 is that over the ten-year life of the contract, GSA only intends to select 60 companies as awardees – and has requested no contract ceiling. Its predecessor, Alliant 2, currently delivers over $2B monthly in IT services. At this spending rate, and with only 60 awardees, Alliant 3 will award an average of approximately $4B per company over the 10-year contract period. Alliant 2 Unrestricted was awarded to only 61[4] companies in 2017. Currently, due to merger and acquisition-driven consolidations, as well as the roll off of inactive companies, only 41 contractors (out of 61) remain on

[2] https://www.gao.gov/products/gao-19-523
[3] https://sam.gov/opp/465b25ec4a7447d4b90d2048b549b86b/view
[4] https://fcw.com/acquisition/2017/11/gsa-announces-alliant-2-awards/227979/

Alliant 2 at present. Additionally, Alliant 2 receives bids from an average of 2.5 companies per task order. In other words, of the 61 Alliant 2 awardees, only 2.5 compete for each task order that is let under the GWAC. Given the history of Alliant 2, the government should support the goal of increasing the industrial base and the level of competition. **A solution would be to increase the number of awards under Alliant 3.**

As witnessed during the life span of the Alliant 2 contract, significant (roughly 30%) market consolidation took place due to mergers and acquisitions. Without significant policy changes, the federal government should anticipate the market consolidation trend to continue and address this for Alliant 3. **One practical solution would be to create a mandatory, annual on-ramp for new participants, with a goal of adding twenty percent (20%) of new awards over the life of the GWAC.**

Currently, there is also no plan to allow for an on-ramp to Alliant 3, and there is currently no on-ramp to Alliant 2. Over the 10-year period of performance, this inhibits the government's flexibility to source additional providers. This could include companies who grew from small to large during that period as well as commercial providers who decided to bring their innovative solutions to the federal sector.

If the goal is to provide value to the taxpayer and maintain a robust and resilient IT industrial base, the federal government needs to cast a wider net. This would stimulate competition for services and provide opportunities, through the IT contracting process, that would allow emerging companies to compete. There should be a "continuum of competition" that drives innovation and NOT market consolidation.

The Office of Management and Budget (OMB) has encouraged, and in some cases required, the use of best-in-class contracts vehicles. The result of this policy is that each best-in-class GWAC has become increasingly more valuable to the contracting community. OMB believes this policy will ensure the government benefits from robust, well qualified, competition. Given how important these vehicles have become to business success, sponsoring organizations have continued to raise the bar on self-scoring requirements.

With hundreds of accomplished firms looking to compete, our coalition feels that the number of awardees should be significantly increased, and an on-ramp feature should be added. With billions of taxpayer revenue at stake, over a 10-year period, it makes sense to spread the potential risk of poor performance. It is a reality that some awardees will not perform well, and others will excel beyond expectations. Let entrepreneurship and emerging talent enter the market and encourage creative competition. And furthermore, contract awards should never be structured as "too big to fail."

#2: Past Performance Criteria: Another significant concern with Alliant 3 is the past performance criteria. As currently designed, a successful bidder on Alliant 3 will need a nearly perfect score. There are 10,500 points available if the bidder provides seven (7) past performance examples, each with a $275 Million contract value. This requirement effectively limits competition to only very large businesses. Companies graduate from the NAICS code 541512 small business category when

they have an average annual revenue of only $30 million. Doing simple math, coming up with seven examples of - $275 million in past performance - will take an emerging company many years, and only if they are able to win work that they now must compete for in the large business category.

For example, of the 517 task orders under Alliant 2; the average contract size is $84.38M and 80%+ of the task orders are less than $85M. Another example: of the 517 task orders on Alliant 2, only 14% of the task orders are cost-based, yet the requirements for Alliant 3 include an accounting system approved by the Defense Contract Audit Agency (DCAA). Contractors cannot request this audit; it can only be received if the government asks DCAA to audit your system on their behalf.

The Proposed Solution

We recommend that GSA make three simple modifications, while there is still time to do so.

1. Increase the number of potential awards by setting a minimum score at 78% of the maximum points value and include an on-ramp, which annually allows for new participants, and addresses market consolidation trends in the IT industry.
2. Establish award pools based on task order size and establish prior experience size requirements aligned to the pool. We recommend the following 4 pools: Under $50M, $50-$150M, $150-$250M, and over $250M.
3. Move task-order specific requirements (like DCAA-approved accounting systems, earned value management system [EVMS] certifications, contract performance reports [CPRs], etc.) to the Task Order Ordering Guide for each award pool. This more appropriately aligns the requirement to the task order without unnecessarily limiting competition.

The federal government will benefit in many ways by making these changes:

- Access to a more diverse and inclusive field of companies and services creating an expanded and resilient IT industrial supply base.
- Increased cost pressure on service providers.
- Increased ability for contracting officers to right size the competition based on need.
- Increased leverage for contracting officers when a contractor is not performing.
- Greater accountability and reduced risk if companies fail to perform.
- Workforce development across a broader range of technology companies.
- A more vibrant marketplace for innovative and entrepreneurial talent.
- Greater distribution across a wider set of IT providers for the unlimited ceiling vehicle.
- A robust continuum of success – one that allows companies to compete, while continuing to drive flexibility, agility, and innovation for the Federal IT industrial base.

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