SPECIAL REPORT

Online report sponsored by PCM-G

GSA IT Schedule 70 Contract Guide

P1 Uncertainty over budgets and buying trends prompt a rethink

P3 GSA questions Schedule 70's role in IT, aims for change

P5 Schedule 70 tries to face down GWAC challenge

P6 Outreach and training need to be strengths of Schedule 70

P7 State and local markets languish, but potential is there

Uncertainty over budgets and buying trends prompt a rethink

GSA's Schedule 70 program is still the biggest source of IT products and services for federal agencies, but the shifts in government forced by hard fiscal times are forcing a rethink about what its future should be.

The General Services Administration (GSA) IT Schedule 70 program, despite a growing number of competing procurement vehicles throughout government, is still the biggest provider of IT products and services to agencies, by far. However, uncertainties thrown up by the current budget malaise and doubts about agency buying trends are also posing questions about its future.

Schedule 70 is a large program in all ways. It offers a broad range of products and services, from computing and networking software and hardware to cloud services and even cybersecurity technology. Around one-third of the schedule's sales are through Special Item Numbers (SINs), which group together offerings of similar products and services.

In fact, as a way of trying to distance Schedule 70 from its traditional perspective as a products-driven program, GSA executives have begun referring to it as more of a "solutions-based" schedule because they feel it can provide agencies with just about anything they need to implement IT.

The sheer numbers associated with Schedule 70 are also testimony to its popularity. It grew steadily throughout the first decade of this century, topping out at just over $16 billion in sales for fiscal 2010. Sales have declined somewhat since, to $15.4 billion in fiscal 2012, though that still represents some 40 percent of GSA's total schedule sales and just over 19 percent of the fiscal 2012 federal IT budget. Also, more than 5,000 vendors carry Schedule 70 contracts.

Publicly, at least, GSA executives seem intent on using the Multiple Award Schedules (MAS) overall, and Schedule 70 in particular, to realign sales according to current agency needs. Steven Kempf, then-commissioner of GSA's Federal Acquisition Service, told a congressional panel in June 2012 that, at the same time it was dropping some of the services on other schedules because of a lack of demand, it was adding to the offerings of Schedule 70.

The current fiscal challenges facing federal agencies require that GSA "refocus its acquisition professionals on helping agencies to use the MAS program more effectively by bringing new solutions to market faster, improving pricing and simplifying the buying experience," he said.

As an example, he pointed to a new SIN,132-99, that would allow new IT products, services and solutions that were not currently offered elsewhere a ready channel to the government marketplace within Schedule 70, thereby enabling agencies to get hold of the technology faster.

In an interview last year with FCW, Kay Ely, who took over as director of the Office of IT Schedule Programs in 2011, said the reason behind her motto "It's a new day in IT Schedule 70" was to let everyone know that GSA was listening to industry and its agency customers.

"There are a lot of things from their perspective that we need to do differently," she said, "and so we are listening and stepping up to that challenge," including reviewing business processes, balancing the workloads of people who work on Schedule 70 to make them more effective, and communicating to all "that we really are going to do things differently."

That's something that is definitely needed, according to many observers. The perception now is that, as budget constraints force agencies to become more focused in meeting their IT needs, they will increasingly look to procurement vehicles more suited to that, such as agency-specific governmentwide acquisition contracts (GWACs). Without a new approach, they fear the recent decline in Schedule 70 sales will continue.

"I think we'll see more of the same, unless there's a champion who comes in and does do something different, "someone who reaches out

in a very proactive way all around the vendor community and, through them, to key agencies," said Alan Bechara, president of IT solutions provider PCMG."

That champion needs to step in and show that Schedule 70 can provide real value and deliver the things agencies need and are now looking to their own GWACs to fulfill.

There are pockets of people within GSA who are doing this, he said, but overall, "this particular problem is starved for some attention and new initiatives to revamp Schedule 70 and make it less cumbersome."

There are signs that the decline in Schedule 70 sales might be easing, according to Shadi Shakibai, manager of civilian information services at GovWin, the analytical arm of Deltek. But GSA is having to push against some powerful trends.

"When the Obama administration first came in, it expressed concern over the amount of spending done on these task-order contracts, as well as the lack of visibility into that spending," she said. "That caused a decline overall in agency [indefinite-delivery, indefinite-quantity] spending, and together with a need to reduce costs and streamline agency procurements, this will cause a lot of agencies to redirect work to these other existing vehicles."

Unless GSA can do something to make itself more visible and work with vendors to improve their price offerings, she said, this trend will continue, "and I'm not sure if Schedule 70 will be such a big thing in the future."

Schedule 70: A contract now driven by services

The General Services Administration's Schedule 70 is the federal government's prime vehicle for procuring IT products and services. Traditionally a products-driven contract, more recently it's switched to being a primarily services-driven vehicle, with services making up some two-thirds of the total sales.

Schedule 70 currently offers products and services across a dozen broad category areas:

- **Cloud IT Services**
- **Computer and Networking Hardware**
- **Cybersecurity**
- **Data Center and Storage**
- **IT Mandates and Initiatives**
- **Satellite Services**
- **SmartBuy: Commercial Software Solutions**
- **Software and Applications**
- **Sustainability**
- **System Life Cycles Integration**
- **Telecommunications, Wireless and Mobility**
- **Telepresence**

Around 80 percent of the schedule's vendors are ranked as small businesses, though they take the smallest amount of dollars from the contract. In fiscal 2011, the top 10 vendors — led by companies such as Dell, Accenture, IBM and CSC — took nearly 30 percent of the total sales. The top 50 vendors claimed 60 percent.

GSA Advantage (https://www.gsaadvantage.gov/advantage/main/start_page.do) is the main online tool through which users can access the schedule. Another online tool, Apps.gov, was closed down at the end of 2012 as a way of streamlining the IT procurement process when it was found that people were using the site mainly to compare prices rather than actually purchase IT.

GSA currently charges a 0.75 percent Industrial Funding Fee (https://72a.gsa.gov/iffrates.cfm) on all schedule sales, which goes to funding the administration of the schedules. The fee is included in the prices that vendors charge customers, but it's been a bone of contention for some time, particularly because competing procurement vehicles, such as GWACs, generally charge lower fees. GSA has been rumored for some time to be considering lowering the IFF to 0.5 percent.

Around one-third of of Multiple Award Schedule contractors are available through Schedule 70 Special Item Numbers, (http://www.gsaelibrary.gsa.gov/ElibMain/scheduleSummary.do?scheduleNumber=70) which simplify purchases by grouping together offerings of similar products and services.

GSA questions Schedule 70's role in IT, aims for change

GSA no longer has the resources to administer a contract as expansive as Schedule 70 so it might be cut down to a more manageable size, though not without objections.

One of the major strengths of the General Services Administration's Schedule 70 has always been the breadth of choices it offers agencies. Although it's built on the back of the IT product offerings it provides, it now touts such things as services and other items as evidence of its evolution to being a solutions provider, where agencies can find anything they need to implement IT programs.

Similarly, the 5,000-plus vendors that currently carry GSA contracts have also been viewed as a strength because agencies would be hard-pressed not to find at least one supplier on Schedule 70 that could meet their requirements.

However, like others in government, GSA is being pushed by budget pressures to streamline its operations. When it comes to the Multiple Award Schedules overall, a growing scarcity of experienced professionals to oversee the contracts is forcing officials to rethink how GSA should manage the programs and if they need to be as extensive as they currently are.

In 2012, GSA began floating the idea of a "demand-based model" on which to refocus MAS vehicles by phasing out contracts that were no longer generating sales and limiting the contractors on the schedules.

In the past several years, the number of companies seeking MAS contracts has roughly doubled and the volume of contract modifications has tripled, Steven Kempf, then-commissioner of GSA's Federal Acquisition Service, told a congressional panel in June 2012. "Too much of this increase is related to duplication, with numerous contractors offering the same item at different price points," he said, and with many contractors having low or no sales. "By adding new contractors to these schedules, we are continuing to further divide an ever-shrinking market."

Speaking at a conference run by the Coalition for Government Procurement (CGP), Mary Davie, who was then acting FAS commissioner, questioned whether it was still GSA's role to make everything available to government buyers. It's getting expensive to do that, she said, and also harder to provide the contracting expertise that customers are demanding.

The demand-based model has apparently been downgraded, at least publicly, due to pushback from industry and Congress because of fears about the impact it would have on some suppliers, particularly small businesses.

Schedule 70, the biggest schedule, is no stranger to the contractor bulge. Many observers believe it's gotten too big and needs to be pared back.

"GSA created an interesting phenomenon that no one foresaw when it opened Schedule 70 up to cooperative purchasing," said Larry Allen, former president of CGP and now president of his own consulting company, Allen Federal Business Partners. "An awful lot of state governments said that, if contractors wanted to do business with them, they first had to get a GSA contract so it would be easier [for those governments] to benchmark off the GSA prices, and that's what happened."

Hundreds of companies have Schedule 70 contracts with no intention of doing federal business, he said. Those are mostly small companies, he said, and GSA has found it is at peril if it moves to shut those contracts down. "But if [GSA] can find a way to get at the real deadwood, then they would be doing everyone a service."

The problem with the way things stand now, according to many observers, is that the service agency buyers and industry suppliers get through Schedule 70 will suffer unless GSA takes some action to improve the operation of the schedule. Cutting back on the number of contractors would certainly help, as would actions such as setting thresholds on the sales that contractors would have to post each year.

"That would mean that resources at the GSA could then be refocused onto active contracts," said Alan Bechara, president of PCMG. "And when you refocus, that means that modifications could flow faster, and

the interaction GSA has with both contractors and agencies would improve and they would have more time to consider programmatic issues."

Right now, he said, GSA seems to have barely enough time to keep up with the influx of contract modifications, which are necessary when products, services or prices on vendor contracts change, and those need to be agreed to by GSA.

"The turnaround time is quite lengthy," Bechara said. "You're happy if you get a modification turned around in 30 days."

Under the original plan for its demand-based model, as described by Kempf last year to the House Small Business Committee's Contracting and Workforce Subcommittee on, GSA would include reviews of schedules' Special Item Numbers (SINs) to determine whether they represent opportunities for innovation and program growth or whether they are in areas that no longer need additional contractors. Those in high demand would remain open to new offers, while those in "over-saturated areas" would be closed to new offers for 12 months and then reviewed again.

The decision to add SIN 132-99 to Schedule 70 — which would provide for new products, services and solutions not already offered to agencies some other way — came out of such a review. On the other side of the equation, GSA decided to close portions of other schedules for which the demand was obviously falling.

GSA is in a hard place with this, however. It knows it has to do something to improve its schedules' management and structure, but formal plans such as the demand-based model are finding it hard to get traction.

In a letter last year to GSA Acting Administrator Dan Tangherlini, Rep. Sam Graves (R-Mo.), chairman of the House Small Business Committee, said he didn't think the demand-based model would help GSA operate more efficiently and save money. He also said the proposal demonstrates a lack of understanding of how small businesses operate in relation to the federal market.

Despite its apparent demotion, the demand-based model gained some support within GSA when it was floated last year, and some observers think it might have done its job within the agency, even if it's no longer at the top of the public statements of GSA officials.

Allen, for one, said he's been getting a lot of "anecdotal mentions" from people to the effect that, although GSA seems technically to have abandoned the model, the word still got out to many of its acquisition centers.

"The result is that an awful lot of contracting officers are taking a jaundiced eye to any new offer," he said. "You now really have got to prove that you are actually going to do business [through the schedules], and that you've got the customer contacts and are not reliant on the GSA to do the work for you."

Schedule 70 tries to face down GWAC challenge

The king of the government IT procurement castle faces a growing challenge from nimbler and more focused GWACs, and Schedule 70 managers gird for battle.

Although in volume terms, the General Services Administration's Schedule 70 is the king of the government IT procurement castle, it has a number of serious competitors for agencies' purchasing attention. How well it competes against those other general and agency-specific indefinite-delivery, indefinite-quantity procurement vehicles will likely decide much of Schedule 70's future.

The main challenge comes from governmentwide acquisition contracts (GWACs), which are pre-competed, multiple-award IDIQ IT contracts run by various agencies through which buyers in those agencies, as well as those from other agencies, can get IT solutions and, critically, lower prices by pooling their purchases of products.

GWACs have exploded in popularity in recent years, spawning a run of colorful acronyms that now dot the government procurement landscape. NASA's SEWP (Solutions for Enterprise-Wide Procurement), the National Institutes of Health's CIO-SP (CIO—Solutions and Partners) and the Army's ITES (IT Enterprise Solutions) are just a few. GSA has several of its own, such as Alliant (one each for large and small businesses) and the small-business set-aside 8(a) STARS II (Streamlined Technology Acquisition Resources for Services) contract.

The attraction of GWACs for many buyers and vendors is the focus they bring, versus a perceived lack of focus in Schedule 70.

"There is no other contract that has as many contractors as Schedule 70, that offers any and everything in the way of products and services, and this is managed by a relatively small group of people," said Alan Bechara, president of PCMG. "So by definition it lacks focus."

In contrast, most GWACs include a relatively small number of contractors that get substantially greater attention from people in the program office. That goes directly to what Bechara said are the two most important things for a successful procurement contract: It keeps products and prices current, and it quickly agrees to contract modifications.

On SEWP, Bechara said, his company submits modifications almost daily and gets them approved immediately. How can the Schedule 70 contracting shop be expected to provide that kind of service? he asked.

"Hence, that's why these other contracts exist," he said. "They find a hole, and they fill it."

This perception that Schedule 70 has gotten too big and too slow to keep up with the speed with which GWACs can offer and provide new IT products and services is obviously not lost on GSA officials. As part of her "A new day in IT Schedule 70" campaign that Kay Ely, director of GSA's Office of IT Schedule Programs, began last year and which she detailed in an interview with FCW, the aim is "make it easier and faster to get needed technologies on the schedule [and also] to provide visibility into pricing and make sure that we are providing the best prices for our customers."

And, to be sure, Schedule 70 has its supporters. Most vendors will readily admit the differences between GWACs and Schedule 70 and there are some agencies that prefer doing their procurements through SEWP, but many also have a hard time working out just why that is so. Although there are many vendors such as PCMG that see the practical differences, many of those same vendors also say they use both contracts with equal ease.

The advantage of Schedule 70, in their eyes, is the broad range of solutions and services — many of them on the cutting edge, such as cloud computing — that the GSA contract offers. Both vendors and buyers can use them to provide either a very focused or a very broad approach to procurements, whichever fit the need.

Outreach and training need to be strengths of Schedule 70

Outreach to vendors and agency users to get feedback and training them on how to use Schedule 70 were once strengths of the program. They need to be again.

Outreach has always been an important part of the General Services Administration's Schedule 70 program — to let agency buyers know how to access it and purchase from it and to educate vendors on how to work with it to offer their products and services to government. As more services and products are added to the schedule and as competition from other procurement vehicles intensifies, outreach will only become more important.

There's a perception that GSA has been slipping in this area, however, which is one reason that Kay Ely, who took over as director of the Office of IT Schedule Programs toward the end of 2011, made greater interaction with both industry and agency customers one of her goals.

That has become even more important as GSA, along with other government agencies, has been pressured by budget constraints to cut back on trade shows and other events. It had to cancel its GSA Expo for 2013, for example, and that's traditionally been an important event for meeting with industry and for training thousands of federal employees on ways to effectively use its schedules and other contracts.

That kind of training is important in a very practical way, according to Ray Bjorklund, president of BirchGrove Consulting and a former federal procurement official. Purchasing from schedules can be daunting if someone hasn't done it before, he said, "though it shouldn't be, and because of that, there's a certain idea about how easy they are to use."

It can seem arcane, he said, because contracts such as Schedule 70 require buyers to pick items from numerous columns and have a lot of different Special Item Numbers to choose from. It becomes even harder if you are trying to piece complex services together.

"If you have a good program manager and a great contracting shop, you can figure out what to pick from which column," Bjorklund said. "But then you have to cobble things together, versus simply providing a statement of work along with the objectives and saying, 'Now give me a price.'"

There's a growing view among agency buyers that Schedule 70 is not only harder to use than other platforms, such as governmentwide acquisition contracts, but its prices are higher than what they can get on those other vehicles. However, that's a mistake because GSA's published schedule prices are a ceiling only, and any buyer is free to negotiate whatever discounts they can with a vendor.

As far as Larry Allen, president of Allen Federal Business Partners, is concerned, GSA has a clear goal for the people who administer Schedule 70, who "are probably in the most competitive slice of the business today."

"They need to get back to where they were six or seven years ago and say with a straight face that they are offering today's solution today," he said. "Only in IT do they face competition from dozens of stand-alone contract vehicles, so they have to be first to market with solutions, and they have to make sure that people know how to use the schedule."

GSA offers on-site training to federal, state and local government employees and said it will customize that training according to individual agency needs. It also runs a number of websites dedicated to education and outreach, including:

- A general IT Schedule 70 Training, Events and News page (http://www.gsa.gov/portal/category/100915) that lists a number of scheduled events in various locations around the country, as well as news about Schedule 70 issues and where to get more information. It also runs a series of training webinars (http://www.gsa.gov/portal/category/100619).
- A recently launched site called Interactive Schedule 70 (https://interact.gsa.gov/group/it-schedule-70) that includes blog posts and members-only discussion forums for industry and agency users of Schedule 70.

State and local markets languish, but potential is there

State and local governments have been able to buy IT using Schedule 70 for over a decade, and they were once seen as a potentially major market. They still are, but it's proving a difficult sell.

The General Services Administration has, for the past decade, offered state and local governments the ability to purchase IT using Schedule 70 through a Cooperative Purchasing Program created under the E-Government Act of 2002. Tribal organizations and educational institutions such as colleges and schools can also use the schedule.

It took a while to develop a user base — sales were only in the low hundreds of thousands of dollars in the first years — but by fiscal 2010, sales had reached $482 million, and that was followed the next year by a nearly 33 percent jump to $641 million. By fiscal 2012, market watchers such as GovWin were projecting that sales would grow to as much as $1.65 billion by 2016, a compound annual growth rate of 19 percent.

It has since tempered that forecast. Sales plateaued in fiscal 2012 in the mid-$600 million range, and it projects fairly low growth from that base over the next few years because of what analysts see as cultural barriers to sales between a federal sales organization and state and local governments. State and local organizations particularly don't like the Industrial Funding fee GSA charges on each schedule sale going back to Washington, D.C., instead of to their own governments.

"The potential is there, but that's based on a level of collaboration between state and local government that we haven't seen yet," said Jason Sajko, a principal analyst at GovWin.

A lot of the success that Schedule 70 has had in the state and local market is due to a vigorous marketing effort by GSA. Schedule personnel regularly attend and speak at state and local events, and GSA runs several well-stocked websites specifically for state and local buyers.

The "Programs for State and Local Governments" (http://www.gsa.gov/portal/content/105300) site provides general information on the Cooperative Purchasing Program and what governments can buy through it. Another, "State and Local Government Ordering," (http://www.gsa.gov/portal/content/141511) provides details on how IT products and services can be purchased on Schedule 70.

However, despite the fact that nearly 600 Schedule 70 contract holders sell to the state and local market each year, it's clear that it isn't a major objective for them. The yearly sales so far only come to around 1 percent of total annual state and local IT spending.

Many of those vendors make regular presentations to state and local governments, but they usually end up using Schedule 70 only rarely, such as when those governments are not able to find items elsewhere. Many states have their own schedules and prefer to use them rather than those run by GSA.

On the other hand, many states have contractual requirements that vendors that want to do business with them on their schedules must also carry a GSA schedule so the state buyers can compare prices. At least half of the states require vendors to update their state schedules if they also update their GSA schedules.

In fact, Sajko said, the bulk of the state and local Schedule 70 purchases are made by local governments and educational organizations, which have somewhat more freedom to buy from the GSA schedules and, in some cases, prefer the speed of the more streamlined cooperative purchasing process. State and local governments might also already have a relationship with a vendor they want to do business with, and the easiest way to do that might be through Schedule 70.

"If there were a real effort established to find commonalities, GSA could find more opportunity for leveraged purchasing between the feds and S&L government," Sajko said. "But we just don't see anything happening over the next four or five years to break down the barriers."