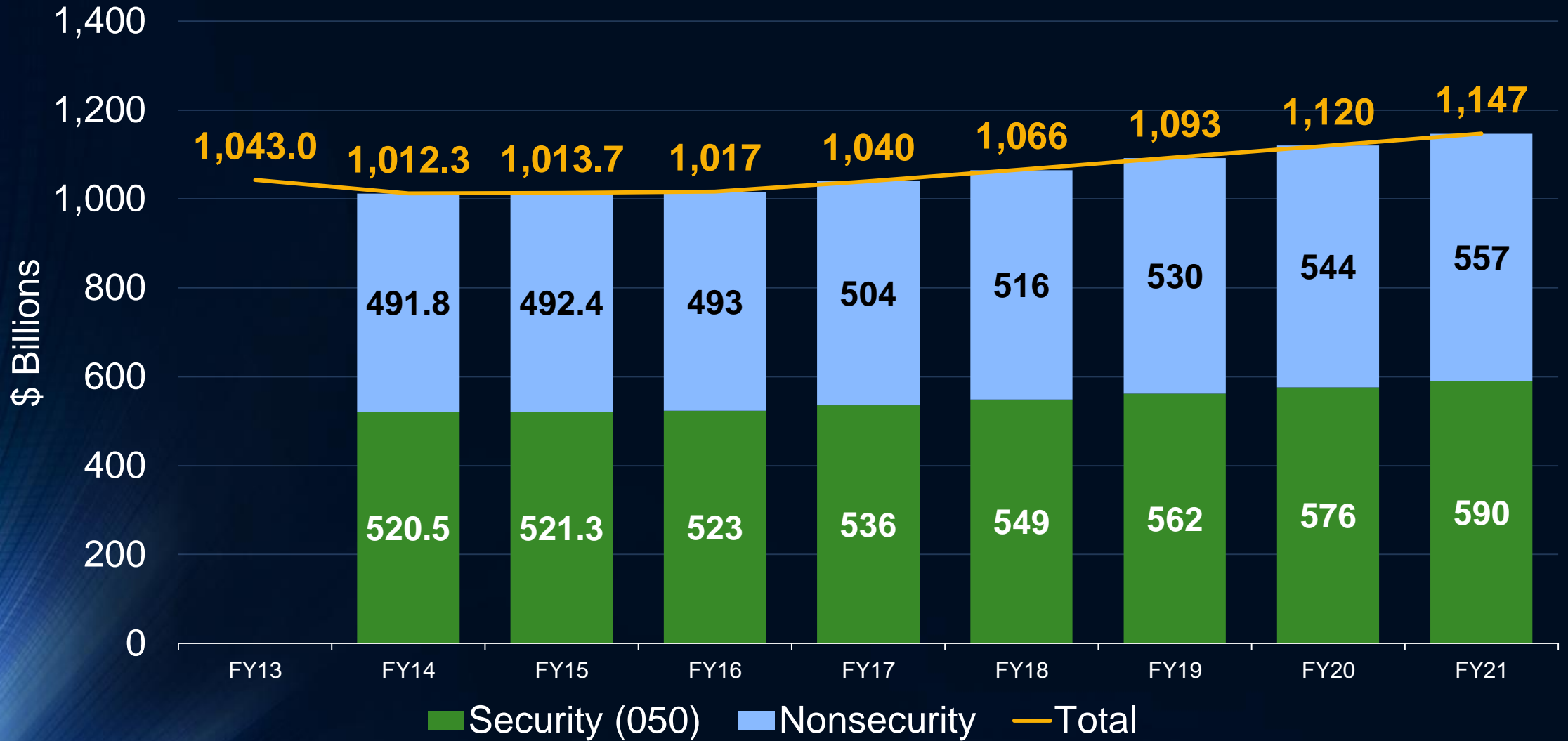


# The State of the Federal Market: PSC Market View & Insight

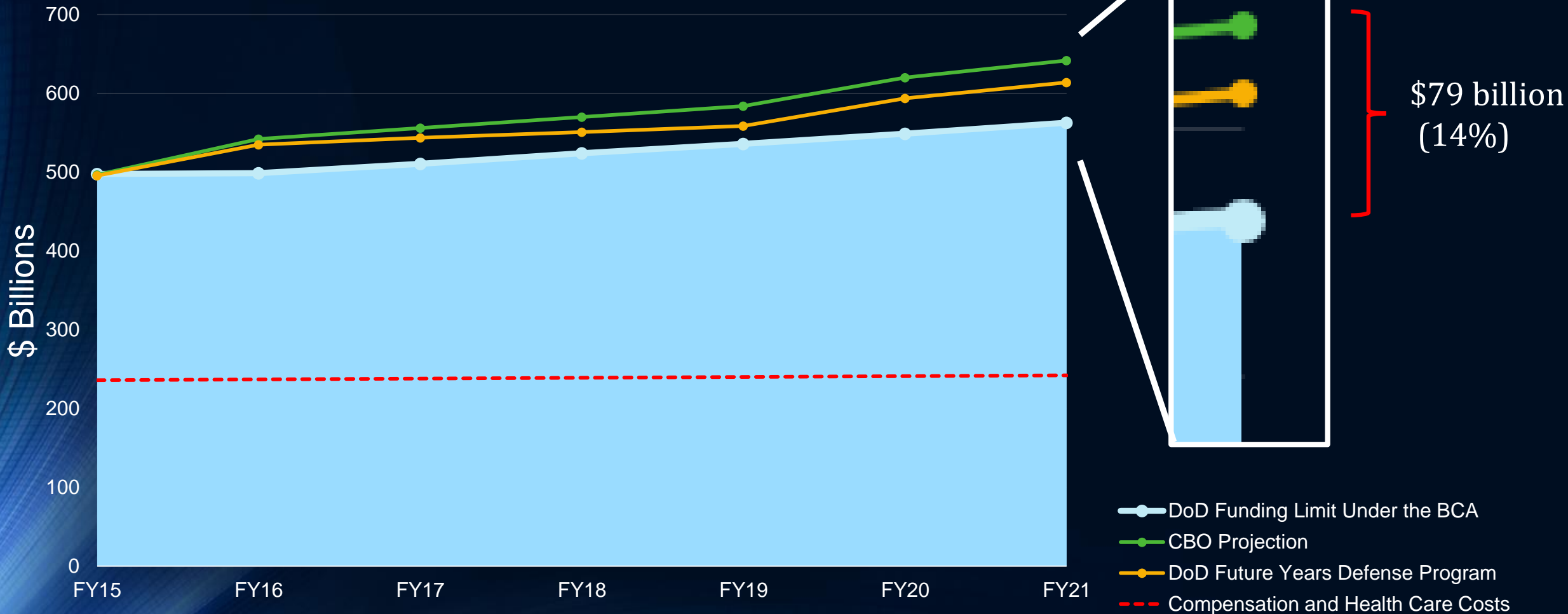
NDIA IPMP Conference  
April 14, 2015

# The Budget Control Act



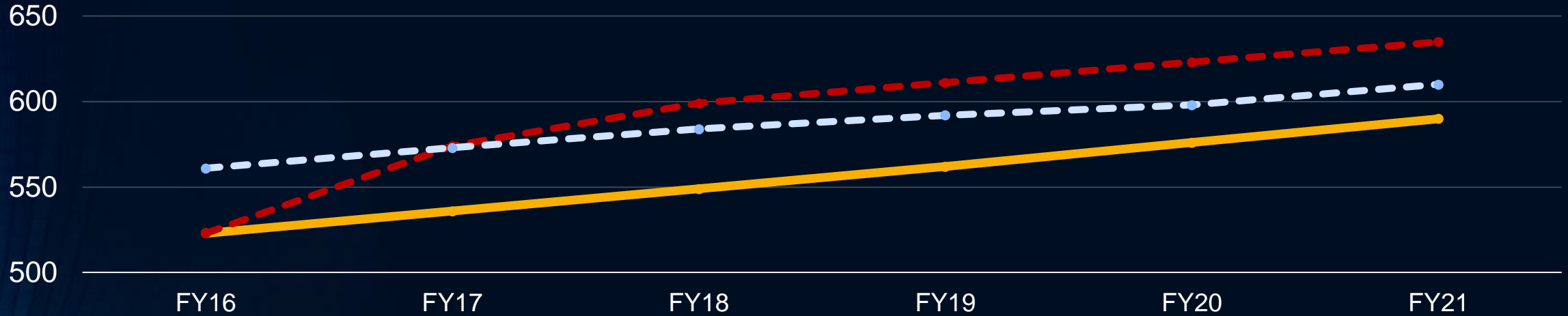
# At DoD, Growing Budget Pressures

BCA Caps vs. Predicted Spending

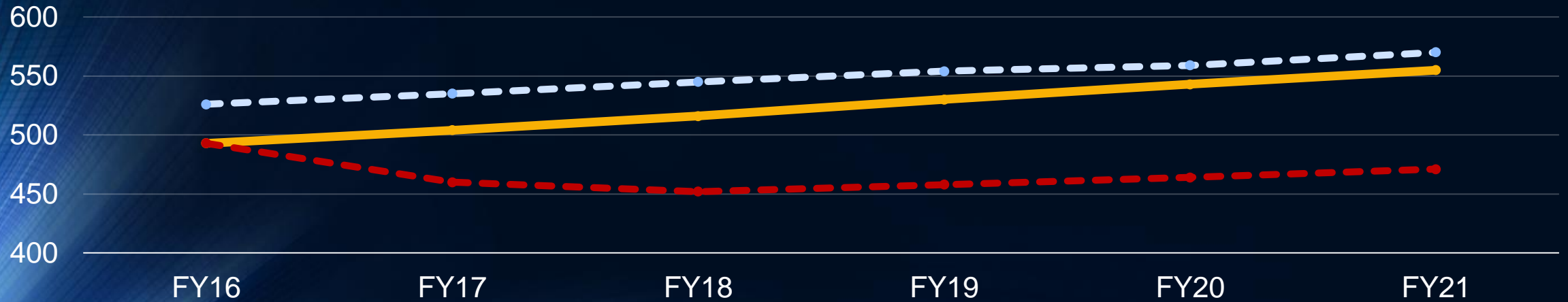


# The Continuing Budget Debate

## Security (050)



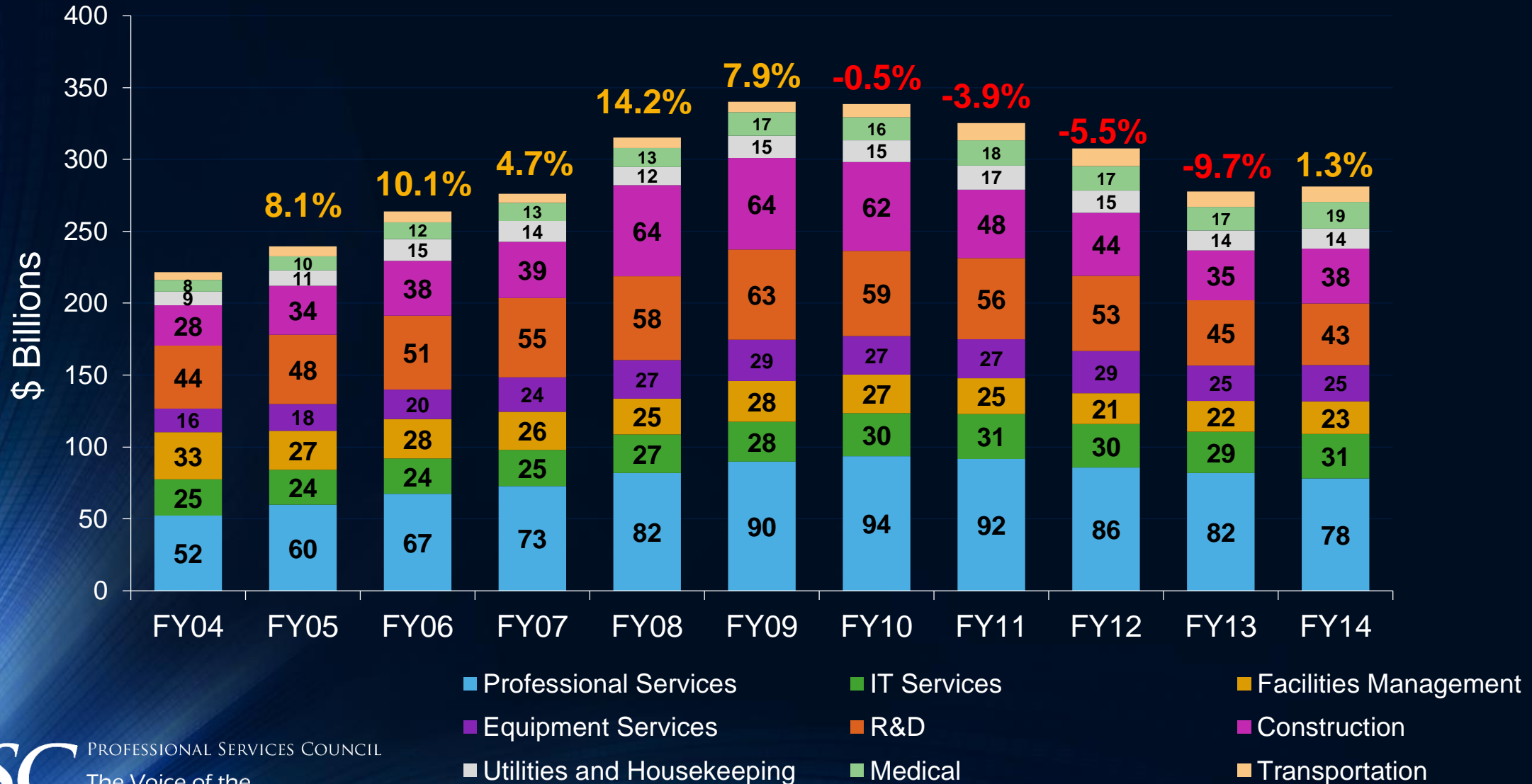
## Nonsecurity



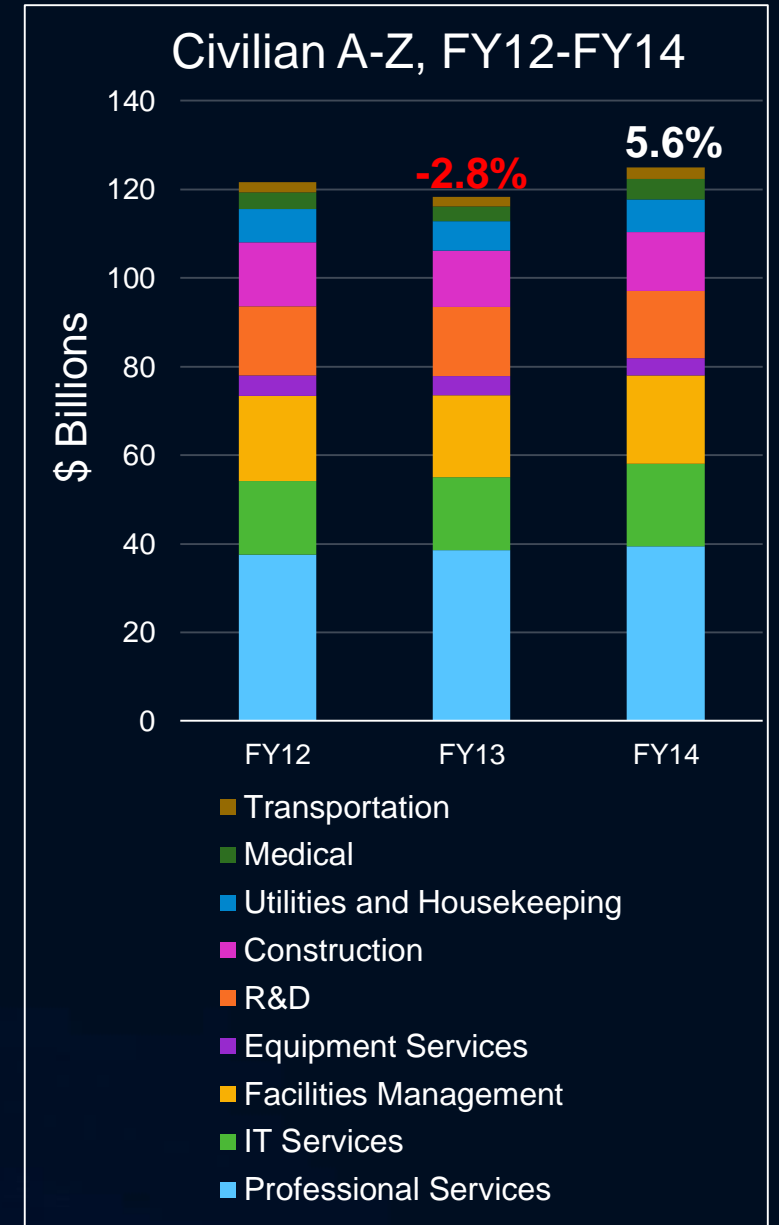
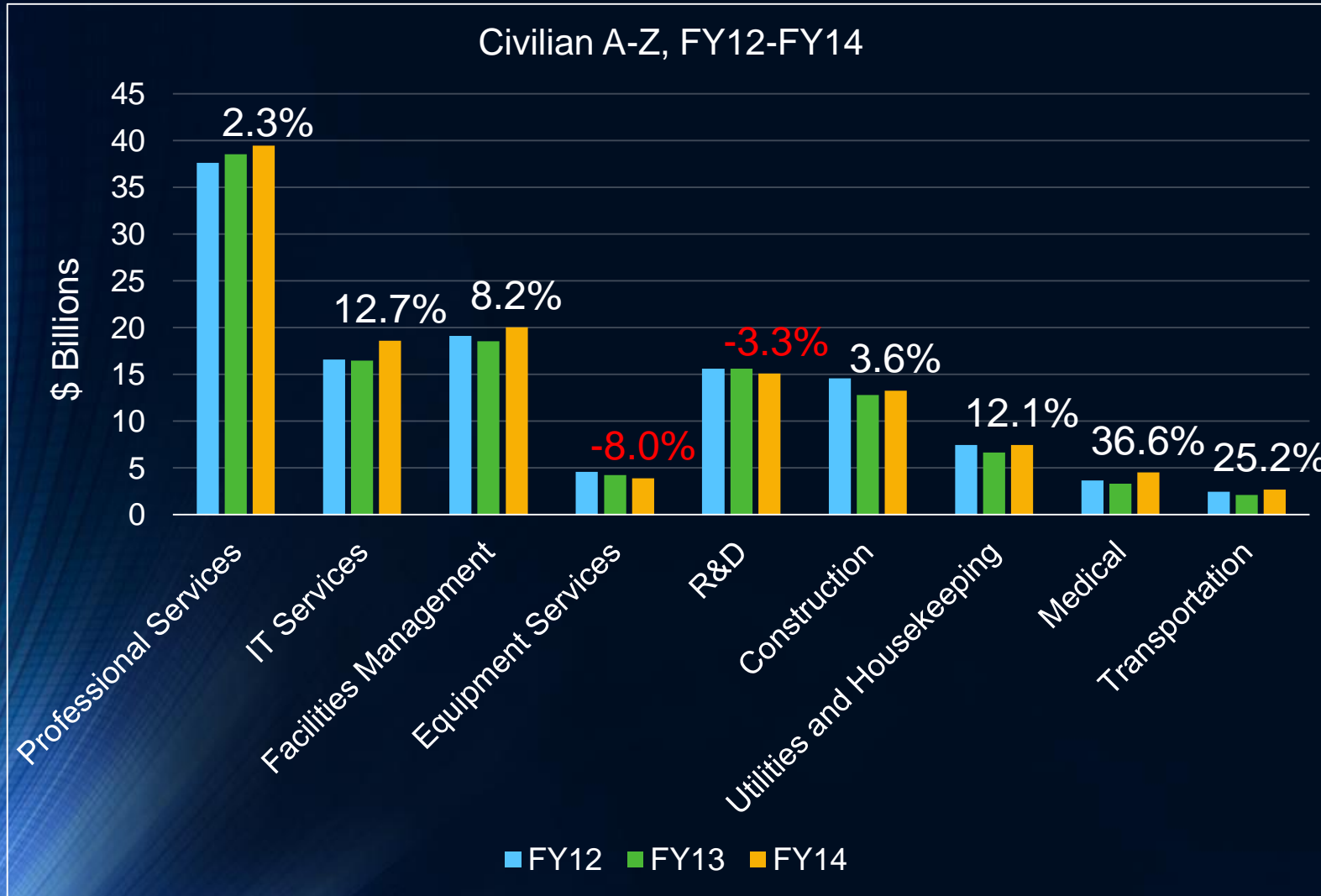


# Bending the Curve (continued)

Total A-Z Services Contract Spend, FY04-FY14

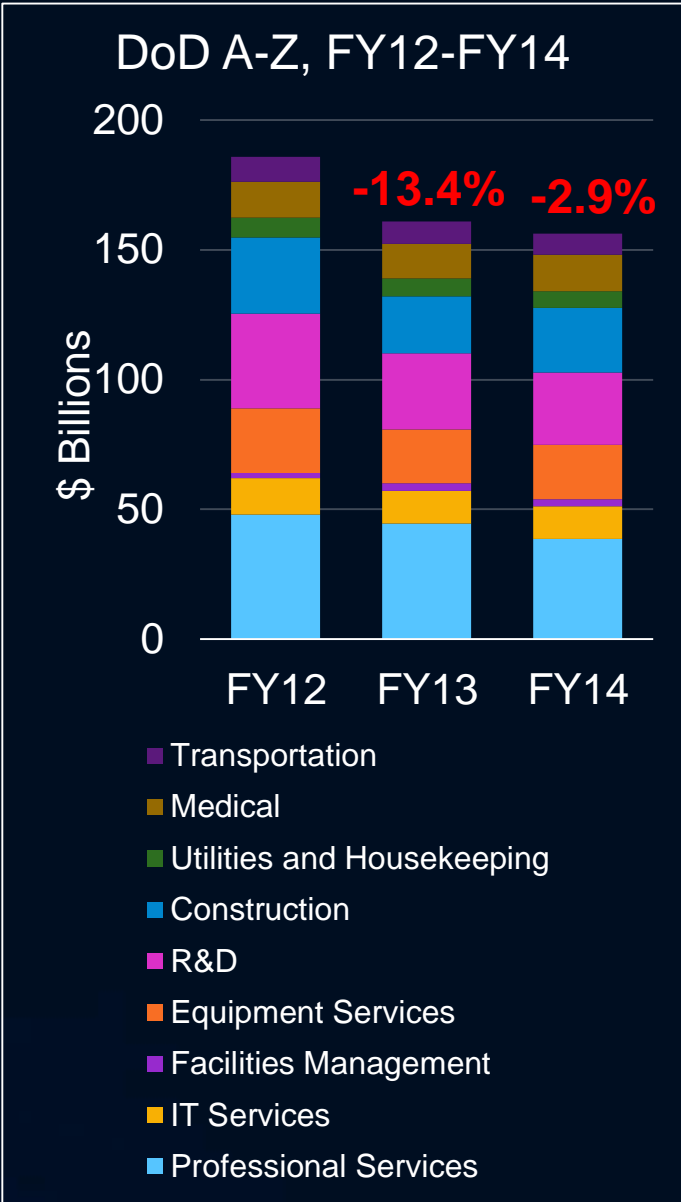
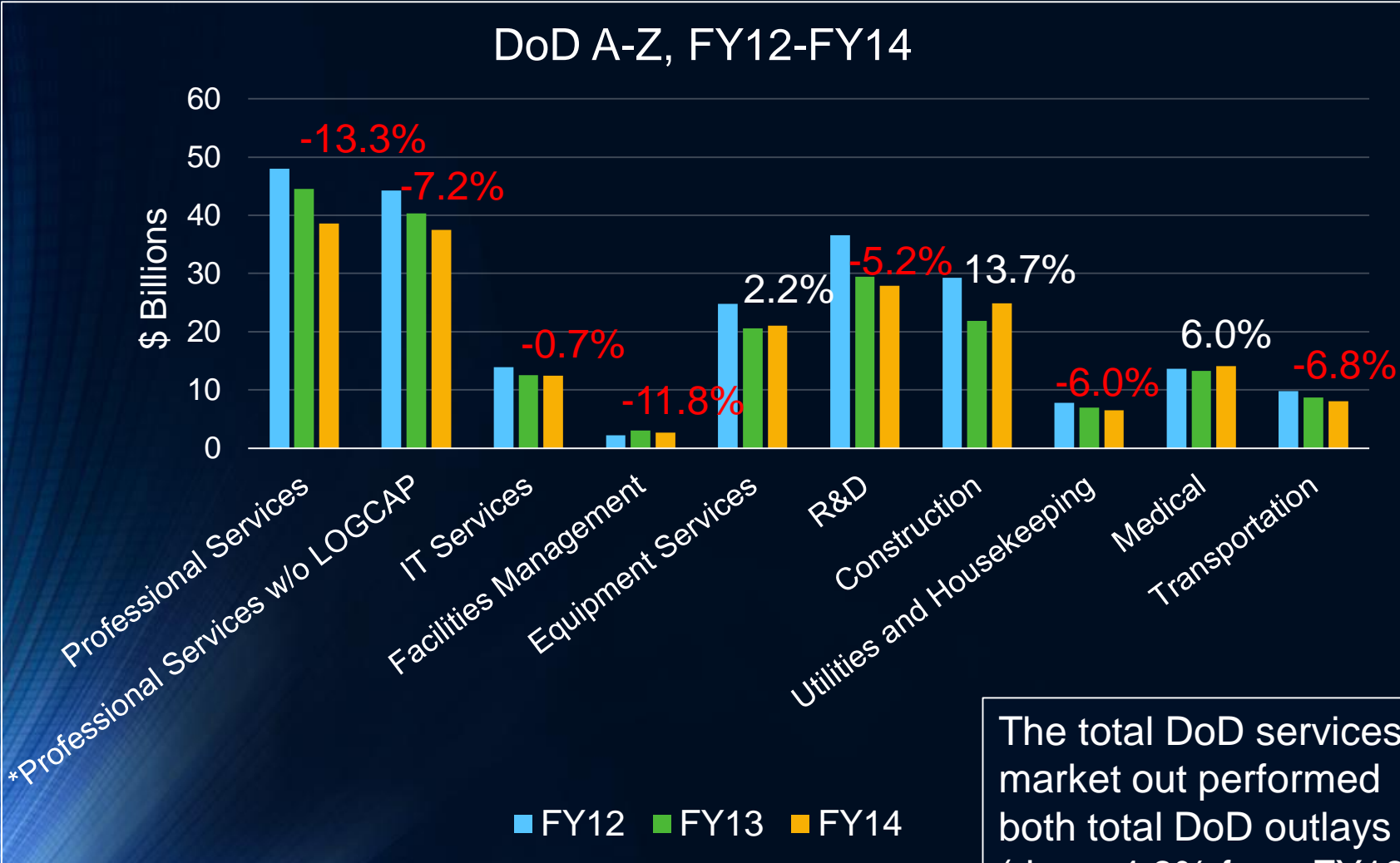


# Services Contract Spend in Civilian Agencies



Professional Services includes codes B, F, G, R, T and U

# Services Contract Spend at DoD



The total DoD services market out performed both total DoD outlays (down 4.8% from FY13 to FY14) and the O&M account (down 5.6%).

## What are the takeaways?

- This market responds to certainty of timing more than the amount of funding
- Uncertainty is high at DoD because the BCA creates a ceiling it cannot break
- Conversely, the BCA creates a measure of certainty in civilian agencies; as civilian budgets cannot be cut in order to increase the defense budget, civilian agencies have a clearer vision into the future.

**But the BCA is just a law, and laws can be changed. The fate of the BCA in the outyears is far from certain**



## Other looming concerns

- The current CO workforce is heavily young and inexperienced, and new COs are still being trained in the old system and processes
- The government's technology workforce is aging: is it out of touch?
- PSC's 2014 Acquisition Policy Survey highlights worrying trends:
  - While technical/program workforces prioritize innovation, acquisition leadership ranks innovation as the 5th out of 6 priorities
  - Two-thirds of acquisition leadership do not see LPTA as a problem. Yet many doubt their organization's ability to correctly define requirements.

# Key Market Dynamics: The Four “Cs”

- **Competition**

- Remains robust but with new scope, challenges
- Desire for more “new, non-traditional” players; issues of perception and credibility
- Margin, overhead pressures acute
- Mid-Tier Pressures continue, but inconsistent

- **Convergence**

- Simple, yet complex: it is changing the face of everything we do
- CapX to OpX; pricing, contract structure, speed to outcome all remain questions

- **Commoditization**

- Disconnect between government perception and reality
- Drives over-use of LPTA, Strategic Sourcing, Reverse Auctions, etc.
- Where are the incentives/support for innovation?

- **Community Commons**

- Crowd-sourcing, contests et al are “in;” but what are the parameters?