

SPECIAL REPORT: PROFESSIONAL SERVICES

Growth

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“Those services include things like logistical support, moving supplies, feeding the troops, doing local purchasing of commodities, running laundry operations, building housing for the troops, dismantling it and building it again.”

Halliburton had \$5.4 billion in professional services contracts with the federal government in 2006, about the same as in 2005.

Also moving up the list of the top 100, in good part because of management support contracts, is BearingPoint Inc., which at 27 on the list had \$375 million in business with the federal government in 2006. The previous year it ranked 36 on the list with \$198 million in business. Next year may prove even better as BearingPoint just signed a \$218 million contract to provide support services in Afghanistan.

BearingPoint said it saw a major shift in demand for professional services support in the post-2003 reconstruction effort in Iraq, including support for such things as agricultural policy reform, central banking reform and “building out” the administrative infrastructure in both Afghanistan and Iraq.

“We have a large part of that,” said Robin Lineberger, BearingPoint executive vice president of Global Public Services. “Now we are helping to put in place policies and methods that will allow better democratic participation, especially for institutions that oversee elections. We are advising them how to do these things.”

Lineberger said BearingPoint has provided a range of such services to Egypt, Jordan, Iraq and Kosovo and will shortly advise on

a revenue system in Costa Rica. All told, such work, mostly for the Agency for International Development, accounts for \$200 million to \$250 million in federal contract business for the company, Lineberger said.

Research and development

The other remarkable trend for 2006 spending was the shift from research and development.

The 2005-06 R&D budget decreased from \$3.1 billion to \$2.3 billion, even though the trend had been upward previously and the overall growth rate for 2006-08 is estimated at 5.7 percent, Bjorklund said.

“There was less emphasis on pure R&D, less emphasis on advanced research that would lead to advanced capabilities simply because there were other bills to pay,” Bjorklund said. “But spending on R&D is now turning around and there will be a nice uptick in 2008.”

The greatest provider of R&D services in 2006 was General Dynamics Corp., which was awarded \$254 million in such contracts.

Training

Spending on training services is steady at \$1.1 billion in 2005 and 2006. The demand for training services continued, however, in part because of the retirement of many older, experienced federal workers, according to Tom Springer, regional vice president of government strategic services for Verizon Federal.

Besides the growing emphasis on security, the other major driver for increased business for Verizon has been recent retirements, Springer said.

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TOP 100 CONTRACTORS

The top 100 professional services contractors in fiscal 2006.*

Rank 2006(2005)	Company	Contract awards (in millions)	Rank 2006(2005)	Company	Contract awards (in millions)
1	(1) Halliburton Co. (KBR)	\$5,398	52	BTG Inc.	146
2	(6) Science Applications International Corp.	2,782	53	(81) Blackwater Security Consulting LLC	146
3	(2) Northrop Grumman Corp.	2,477	54	United Industrial Corp.	133
4	(7) EDS Corp.	2,275	55	(51) CAS Inc.	130
5	(3) Lockheed Martin Corp.	2,177	56	(41) RS Information Systems Inc.	128
6	(4) Computer Sciences Corp.	1,875	57	(77) Hewlett-Packard Co.	127
7	United Space Alliance LLC	1,822	58	(62) MILCOM System Corp.	127
8	(5) General Dynamics Corp.	1,593	59	CGI	117
9	(10) L-3 Communications Holding Inc.	1,088	60	Chenega Corp.	116
10	(11) Booz Allen Hamilton Inc.	988	61	Arctic Slope Regional Corp.	116
11	(8) Raytheon Co.	940	62	(56) SI International Inc.	115
12	Fluor Corp.	936	63	Quantum Research International Inc.	114
13	26) International Business Machines Corp.	818	64	(53) Apptis Inc.	112
14	Shaw Group Inc.	793	65	ITS Services Inc.	111
15	Vangent Inc.	793	66	Cherryroad GT Inc.	111
16	(17) CACI International Inc.	699	67	Weston Solutions Holdings Inc.	110
17	(21) Accenture LLP	638	68	Dimensions International Inc.	108
18	(22) Jacobs Engineering Group Inc.	636	69	(46) Harris Corp.	103
19	(35) Unisys Corp.	587	70	Black and Decker Corp.	102
20	(13) BAE Systems PLC	538	71	(54) Cubic Corp.	98
21	(23) SRA International Inc.	518	72	SGT Inc.	97
22	Bechtel Group Inc.	470	73	(66) Information Systems Support Inc.	92
23	(32) DRS Technologies Inc.	444	74	Management Systems Designers Inc.	91
24	Hofman Mondial Inc.	440	75	(69) Perot Systems Corp.	91
25	(24) ManTech International Corp.	406	76	(57) InDyne Inc.	90
26	(28) The MITRE Corp.	376	77	Tetra Tech Inc.	89
27	(36) BearingPoint Inc.	375	78	Alion Science and Technology Corp.	85
28	(19) ARINC Inc.	372	79	Deloitte Consulting LLP	84
29	(27) NJVC LLC	369	80	CAN Corp.	83
30	(20) Boeing Co.	369	81	STG Inc.	83
31	(29) Honeywell Inc.	324	82	WorldCom Inc.	82
32	ITT Corp.	323	83	Chugach Alaska Corp.	80
33	Oak Ridge Associated Universities Inc.	298	84	Research Triangle Institute	78
34	(33) Battelle Memorial Institute	288	85	United Technologies Corp.	78
35	Itel Solutions	265	86	(73) Aviation & Missile Solutions LLC	77
36	(52) Stanley Associates Inc.	250	87	Westar Aerospace and Defense Group Inc.	76
37	SBC Communications Inc.	231	88	(74) Oracle Corp.	74
38	General Electric Co.	229	89	Energy Enterprise Solutions LLC	70
39	National Infrastructure Support Technical Assistance Consultants	225	90	(71) RAND Corp.	68
40	(15) Verizon Communications Inc.	223	91	Xerox Corp.	68
41	(14) URS Corp.	218	92	(94) Camber Corp.	68
42	Affiliated Computer Services	216	93	Robbins-Gioia LLC	67
43	Resource Consultants Inc.	199	94	Res-Care Inc.	66
44	(68) Pacific Architects and Engineers Inc.	195	95	Indus Corp.	66
45	(34) Johns Hopkins University	193	96	Sytel Inc.	63
46	NANA Regional Corp. Inc.	189	97	Universities Space Research Association	62
47	QSS Group Inc.	166	98	TR Systems Inc.	62
48	(61) VSE Corp.	166	99	Sparta Inc.	61
49	Blue Cross Blue Shield of S.C.	155	100	(67) Scientific Research Corp.	60
50	(44) Parsons Corp.	153			
51	(83) Washington Group International	151			
				Total sales for top 100 vendors	\$43,362
				Total sales for all professional services vendors	\$72,200

*Analysis based on data from the Federal Procurement Data System. Firms are identified by their names at the end of fiscal 2006 and do not reflect any later mergers and acquisitions.

SOURCE: FedSources Inc.

GRAPHIC BY TIMES STAFF

HOW THE LIST WAS COMPILED

To produce the top 100 list, FedSources extracted data from the General Services Administration's Federal Procurement Data System, the government's main contract database. The database is the most complete source for procurement information across the Defense Department and all civilian agencies, barring a couple of agencies that underreport — for example, the Federal Aviation Administration and U.S. Postal Service. Global Computer Enterprises of Reston, Va., has run the database for the government since January 2005.

In analyzing the procurement data, FedSources queried a select mix of product service categories (PSCs), which are assigned for each contract action recorded in the database. FedSources then determined a set of PSCs that best fit each of the six professional service categories. Those categories:

■ Management support services, which typically involve management of large, complex projects spanning multiple

locations, integration and interoperability of different systems, and long time spans.

■ Automatic data processing and telecom services, which range from developing databases and knowledge portals to developing modern telecommunications networks.

■ Research and development, which can be in multiple areas but often involve defense or health-related programs.

■ Training services, which range from classroom-based services, including mediation, to virtual or online programs for federal employees.

■ Studies and analysis, which include understanding how better to respond to disasters or analyses for improving logistics and procurement systems.

■ Contract actions coded under technical services could also belong to other categories. In recent years those contracts have involved providing highly specialized services, such as security in war zones or infrastructure-related work following disasters.

DEMAND FOR MANAGEMENT SUPPORT

Management support services make up the largest category of professional services that the government buys. The category has also seen the most growth over the past four years.*

	(Dollars in billions)				Compound annual growth rate 2003-2006
	2003	2004	2005	2006	
All categories	\$46.5	\$60.9	\$66.4	\$72.2	16%
Management support	20.6	28.9	34.9	42.0	27
Automatic data processing, telecom	18.7	24.6	23.3	22.4	6
Technical services	2.9	3.4	3.5	3.9	11
Research and development	3.0	2.3	3.1	2.3	-9
Training services	0.9	1.1	1.1	1.1	5
Studies and analysis	0.4	0.6	0.5	0.6	11

*Data for 2003 through 2005 differs from FedSources analysis for the Federal Times 2005 Professional Services Special Report in the April 24, 2006, issue, because it includes updated information from the government.

SOURCE: FedSources Inc.

GRAPHIC BY JOHN HARMAN