

## **Brand Name Limited-Sources Justification for Microsoft Software and Services**

### **Brand Name Limited-Sources Justification for the United States (U.S.) General Services Administration (GSA) Microsoft Software and Services**

#### **1. Identification of the Agency and the Contracting Activity:**

The requiring activity is GSA Federal Acquisition Service (FAS), Integrated Technology Services (ITS), Office of Strategic Solutions and Security Services, SmartBUY located at 10304 Eaton Place, Fairfax, Virginia 22030.

The contracting activity is GSA/FAS/ITS Office of Acquisition Operations (QTA), Strategic Solutions Contract Operations Division (QTAA), Branch B (QTAAB) located at 10304 Eaton Place, Fairfax, Virginia 22030.

#### **2. Nature and/or Description of the Acquisition Being Approved:**

SmartBUY intends to develop Blanket Purchase Agreements (BPAs) to support the procurement of Microsoft operating system software, office automation software, and associated support software and services for the U.S. Federal Government under the Federal Strategic Sourcing Initiative (FSSI). The Microsoft products included in this procurement are essential to the Federal Government, as are the peculiar features and functionalities offered by the products.

The Office of Management and Budget (OMB) founded the SmartBUY program in 2003 as an E-Government (E-Gov) initiative, as a means to improve the acquisition and use of information technology by the Federal Government. SmartBUY was developed to streamline the commodity software procurement process, promote enterprise level software management, and realize cost efficiencies. The program officially became incorporated into the FSSI portfolio in June 2012.

FSSI works collaboratively with Federal agencies to aggregate requirements, streamline processes, and coordinate acquisitions for commonly purchased goods and services. GSA, in partnership with the Department of Treasury, launched FSSI in November 2005 in response to the OMB May 20, 2005 "Memorandum on Implementing Strategic Sourcing". SmartBUY is conducting this acquisition under FSSI in an effort to develop and implement strategic sourcing and management strategies, and to lower the Federal Government's total cost of ownership of Microsoft software and services.

This acquisition is being conducted under the authority of the Multiple-Award Schedule Program and will result in multiple-award fixed price BPAs for Microsoft software and services. The period of performance for these BPAs will be 5 years from the date of award. Federal Supply Schedule 70 vendors will be solicited for these BPAs.

#### **3. Description of Supplies/Services Required to Meet the Government's Needs:**

The scope of this acquisition is for Microsoft software and services that support and extend previous Federal Government investments in Microsoft technology by integrating with the

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existing installed base. The scope includes various licensing models for Microsoft's full suite of desktop productivity and server software products, as well as related services as described below. The software may be purchased with or without Microsoft Software Assurance. Software Assurance provides the customer with upgrade rights, support services, deployment tools and training resources.

The Government has segmented the software and services into the following categories:

- a. Microsoft System Pool – Software and online services that include the Operating System (OS) and management of the OS for the Windows desktop operating system client environment.
- b. Microsoft Application Pool – Software and online services that consist primarily of the Microsoft Office Productivity Suite, which performs the following functions – word processing, spreadsheet analysis, messaging, document sharing, graphics design, and related application software needs.
- c. Microsoft Server Pool – Software and online services that provide “back end” server and application services. Functionality provided includes directory services, messaging, collaboration, web application, database services, infrastructure services, security and management services, and other application services.
- d. Microsoft Premier Support Services – Provides services in the following categories:
  - i. Support Account Management – Provides orientation and planning, status reporting, and escalation management service offerings.
  - ii. Workshops and Events – Provides instructor-led training offerings and events (technical webcasts, podcasts, and virtual labs) for a range of professionals using Microsoft software, tools, and technologies.
  - iii. Problem Resolution Support – Provides assistance in resolving problems that reasonably appear to have been caused by Microsoft software.
  - iv. Support Assistance – Provides short-term advice and guidance to include issues relating to design, development, and deployment.
  - v. Information Services – Provides Microsoft technical product information and support tools to improve product efficiency and effectiveness.
  - vi. Designated Support Responsive Services – Provides a designated support professional to manage problem requests that require subject matter expertise for a specific product.

The estimated value of this acquisition is \$1 billion in the first year, for a total of \$5,309,135,810 billion over the 5 year period of performance of the BPAs. This estimate is based on a GSA analysis of historical Federal Government spend on Microsoft software and services, and assumes that all Federal agencies will transition from their current Microsoft acquisition vehicles to the FSSI SmartBUY Microsoft BPAs.

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### **4. Identification of Statutory Authority and Supporting Rationale for Limiting Sources Demonstrating the Contractor's Unique Qualifications to Provide the Required Supply/Service:**

As defined in FAR 8.405-6(b), the required software and services in this procurement are peculiar to one manufacturer. Microsoft has dominated the operating system and desktop (or office) productivity market since the 1990s and continues to do so. For commercial enterprises with more than 500 employees, Gartner, Inc., an information technology research company, estimates that Microsoft has well over 90% of the market share in the personal productivity suite, desktop, and notebook operating system markets<sup>1</sup>.

Similarly, Microsoft holds a dominant installed base across the Federal Government. Microsoft software is estimated to be installed in over one million devices across the Government, making it the Government's "de facto standard". The desktop and server operating system software used across the Federal Government is primarily Microsoft Windows. The desktop productivity suite used across the Federal Government is primarily Microsoft Office.

Seamless compatibility with software and applications already deployed and used across the Federal Government is essential. This is particularly true in the case of Microsoft, where due to its ubiquity, the inability to access Microsoft software carries significant risk of negative mission impact. The operating system (OS), desktop productivity suite, and the related products together provide broad and deep functionalities, and form a seamless integrated Microsoft environment which enables Federal agency employees to easily develop and exchange documents within and outside of their agencies.

Microsoft's integrated environment enables Federal employees to perform their day-to-day tasks without facing critical productivity challenges, such as file type incompatibility, document format loss, and spreadsheet functionality limitations. For example, Microsoft Access databases, Excel macros, and other complex documents may look or operate in a substantially different manner when opened by alternate products, and also experience a substantial loss of functionality. Applications developed to run within the Office environment often require a significant remediation to run on another product, even when similar capabilities exist in the alternate products. Additionally, Microsoft products are locally installed on desktops and do not require users to be "on-line" to access and edit documents. The comprehensive and seamless integration across the Microsoft product sets is critical for interoperability within the Federal Government.

While there is growing competition in this space for individual products, specific functionality, or individual features, this is occurring on a limited basis. No single competitor has the full breadth and depth of capabilities to match the complete suite of Microsoft products and the capability to seamlessly integrate products with the existing Federal environment. Alternate OS or desktop productivity software cannot completely satisfy the Government's requirements for the continued use and support of the existing Microsoft Office file formats, the applications built within Office tools (macros, scripting languages, etc.) and user interfaces. Switching to alternative products or running mixed environments would lead to migration complexities,

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learning curves, tool limitations, application limitations, and initial setup and in-house expertise resource requirements.

During the life of this procurement, it is expected that the extensive use of Microsoft software by Federal agencies will continue due to the high current installed base in the Government market, the ongoing need for seamless integration across the functionalities of the identified products, and the inability of competitors to match the overall functionality and integration capabilities of the Microsoft software suite.

### **5. Determination by the Ordering Activity Contracting Officer that the Order Represents the Best Value Consistent with FAR 8.404(d):**

The Contracting Officer has determined that this acquisition represents the best value and will provide the lowest overall cost alternative to meet the Federal Government's needs. GSA will work with other Federal agencies to aggregate demand to drive larger volume discounts than agencies could achieve independently. The Contracting Officer will review the BPAs at least once a year, in accordance with FAR 8.405-3(e), to ensure that the BPAs continue to represent the best value to the Government.

GSA has already determined the prices of supplies and services under schedule contracts to be fair and reasonable; however, as the estimated value of this acquisition exceeds the simplified acquisition threshold, SmartBUY will seek further price reductions for the required software and services in accordance with FAR 8.405-4.

### **6. Description of Market Research:**

In accordance with FAR 10.002, market research was conducted by technical representatives to determine the availability of the functionality required to meet the Federal Government's needs. Gartner industry reports, North American Industry Classification System (NAICS) analysis, IBIS World industry reports, and trade magazines were analyzed to identify potential substitutes to Microsoft software; however, substitute software packages were deemed to be insufficient to meet the Government's requirements. Specifically, Adobe and Google provide substitute desktop productivity offerings and operate on a Microsoft OS; however, neither has the full and integrated offering of word processing, spreadsheet, presentation, project management, database, calendar, forms, and publishing software that is required by the Federal Government. Also, they do not completely integrate with the currently widely deployed Microsoft software suite. Furthermore, interviews with enterprise architects and subject matter experts throughout the Federal Government confirmed that agencies cannot transition away from Microsoft software in the immediate term, since significant integration across systems would be required. Migrating to another set of tools would cause the Federal Government to incur significant expenses and inefficiencies to conduct activities such as interoperability testing, security testing, and retraining of Government end users. It has been determined that Microsoft software must be used in order to maintain full compatibility, leverage the investment in Microsoft software to date, and ensure continued interoperability within the Federal Government.

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Research also concluded that over thirty Microsoft resellers on Federal Supply Schedule 70 are eligible to compete for this acquisition, approximately seventy percent of which are small businesses. In order to maximize competition, FSSI SmartBUY intends to solicit both small and large businesses. Federal Supply Schedule 70 contractors may participate as primes or subcontractors and may form Contractor Teaming Arrangements (CTAs) in order to provide a total solution.

### **7. Other Facts Supporting the Justification:**

FSSI SmartBUY Microsoft BPAs will deliver benefits to both the Federal Government and SmartBUY BPA holders through the creation of a streamlined acquisition vehicle that will be more efficient and cost-effective than agency-specific acquisition vehicles. These benefits include cost savings for both the Federal Government and BPA holders due to the reduction in Government and supplier overhead needed to develop, negotiate, monitor, and re-compete contracts, BPAs, and task/delivery orders; and streamlined ordering, billing, and distribution processes. The BPAs will provide additional savings to the Federal Government in the form of price discounts below Schedule 70 prices. These discounts will be obtained by aggregating the Federal Government's demand to drive larger volume discounts than agencies could achieve independently. The BPAs will also establish improved terms and conditions which will further help agencies to lower total costs of ownership, and will include data reporting requirements that enable the Federal Government to better understand and manage its spend on software licenses.

### **8. Actions the Agency May Take to Remove or Overcome Any Barriers that Led to the Restricted Consideration Prior to Subsequent Acquisition For the Supplies or Services:**

In accordance with FAR 8.405-6(b)(3)(i)(B), this Limited-Sources Justification will be posted to e-Buy (<http://www.ebuy.gsa.gov>). Any responses to the Limited-Sources Justification will be noted and considered for use in future procurements similar to this one. In addition, SmartBUY and ordering activities will continue to conduct market research to determine if any other software and/or services become available that can fulfill the Government's requirements.

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### 9. Certification:

As evidenced by the signatures below, the technical and contracting personnel have certified that any supporting data contained herein is both accurate and complete.

#### Technical Representative Certification

I certify that the foregoing justification is complete and accurate to the best of my knowledge and belief.

PEBBLE RANDOLPH

Digitally signed by PEBBLE RANDOLPH  
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Pebble Randolph  
Project Manager  
GSA/FAS/ITS/SmartBUY

\_\_\_\_\_  
Date

#### Contracting Officer's Certification

I certify that the foregoing justification is complete and accurate to the best of my knowledge and belief.

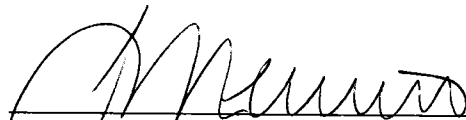
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Constance Thomas  
Contracting Officer  
GSA/FAS/ITS/QTAAB

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Date

### 10. Approval in Accordance with FAR 8.405-6(d)(4)

  
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Joseph Neurauter  
Senior Procurement Executive  
GSA

*Fcb 8, 2013*  
\_\_\_\_\_  
Date

<sup>1</sup> Tom Austin, Michael A. Silver, Hanns Koehler-Kruener, "Google Upsetting Microsoft's Cloud-Office System Ambitions", *Gartner Research Note* (8 May 2012): 3