

FINAL REPORT
BUNDLED CONTRACT STUDY FY91-FY95

By **EAGLE EYE PUBLISHERS FOR THE**
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Executive Summary

The practice of consolidating small requirements into larger, bundled contracts is gradually increasing and causing harm to many small businesses. The evidence of consolidation is contained in overall measures of contract size, numbers of bundled contracts, actions per contract, counts and shares of large versus small contracts and in the striking changes to annual small business revenues. The loss of 7,000 small businesses from the federal marketplace over the five-year study period adds a sense of urgency in addressing the causes of these trends.

Between FY91 and FY95, overall government contract spending on contracts valued \$25,000 and up dropped 8.7%, from \$196.6 to \$179.4 billion. During the same period, the number of businesses receiving contracts, as measured by counts of DUNS numbers, fell 6.5% from 78,800 to 74,400. The total number of awarded contracts declined 11%, from 193,000 to 171,000 over the same period. The result was that in FY95 there was less money going to fewer contractors via fewer contract vehicles than in previous years. This led to an increase in average contract value, suggesting a gradual consolidation of work among federal vendors and a gradual increase in the demand for larger companies to fulfill bigger requirements.

In FY95, Candidate Bundled Contracts (CBCs), or contracts spanning more than one market category, contract type or place of performance, rose as a share of all contracts for the second straight year. After falling to a low of 4.8% of all contracts in FY93, CBCs now account for 5.3% of all awards in the most recent fiscal year.

A consolidation of small tasks into larger, omnibus contracts is reflected in the numbers of tasks or orders placed against existing contract vehicles. Actions Per Contract (APC) were up a total of 15.8% between FY91 and FY95.

Despite the overall drop in federal spending FY91-FY95, large contracts greater than or equal to \$100,000 constituted a larger percentage of all contracts in FY95 than they did in FY91. Between FY91-95, the large contract share of all contracts increased steadily from 40% to 48%, a 20% growth over five years. The change for 8(a)/SDBs and Other Small Businesses (OSBs) was particularly dramatic: large contracts worth more than \$100,000 constituted 42.1% of contracts awarded to all small businesses in FY95, up from 31.6% in FY91. OSBs are small businesses that are not considered disadvantaged.

Overall contract size is growing. The average federal prime contract was worth \$1.016 million in FY91. By FY95, the average contract had grown to \$1.046 million. Average 8(a)/SDB contract size growth was particularly dramatic, rising from \$415,000 to \$488,000. OSB contracts grew 3.4%, from \$261,000 to \$270,000. Large Business (LB) contract size was virtually unchanged at \$2.3 million.

The small business share of the number of awarded contracts has declined steadily since FY92, from 60.5% to 58.9%. While dollar share is up for 8(a) firms, OSBs have seen their dollar share of all contracts fall from 12.9% to 11.9%. Furthermore, OSBs received a lower share of contracts awarded in FY95 than they did in FY91 as shares for 8(a)/SDBs and LBs rose.

While the number of 8(a)/SDBs and LBs has grown, the net loss of 4,200 companies from the federal marketplace between FY91 and FY95, as measured by changes in counts of contractor

DUNS numbers, is entirely explained by the lost of 7,037 OSBs, or 14% of their FY91 total. Over the study period, the number of 8(a)/SDB DUNS numbers rose 19.2% and the number of LB DUNS numbers rose 6.3%.

These figures support the claim that contract consolidation is increasing across the federal marketplace and that the trend is causing harm to small businesses. Average contract size is growing. CBC share of all federal contracts is up for the second straight year. Nearly one out of every two federal contracts was worth more than \$100,000 in FY95, up from 40% the previous year.

In short, this study shows that fewer and larger contracts are being won by fewer and larger companies and that thousands of small businesses have disappeared from the federal marketplace as these trends have occurred. Furthermore, since the release of this study, the federal government has enacted significant procurement reforms encouraging contract consolidations, centralized administration and entered long-term agreements with fewer vendors. These actions can only exacerbate the problems detailed.

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I. Introduction

The purpose of this study is to present evidence showing whether or not the practice of consolidating small, individual government purchases into larger, bundled contracts is having a negative impact on small business participation in federal contracting. This study further attempts to assess whether the recent raising of the small purchase threshold to \$100,000 will accelerate contract consolidation and exacerbate the negative impacts of bundling on small business.

Despite clauses in the Federal Acquisition Regulations (FAR) calling on contract officers to make special efforts to sustain small business participation in the procurement system, agency budget cuts and directives to streamline the procurement process may be leading contracting officers to consolidate small purchases into larger contracts in the name of efficiency.

These kinds of procurement efficiencies may impact small businesses negatively because the requirements of larger, multi-faceted contracts can easily outstrip the financial or administrative capabilities of a small business, precluding them from being competitive. Furthermore, the opportunity for small businesses to sub-contract with the larger companies winning the bundled contracts may also diminish because of a tendency for larger firms to use their own personnel resources on the contracts they win.

Evidence of the negative impact of contract bundling on small business was first presented in the U.S. Small Business Administration's 1993 report, *Study of the Impact of Contract Bundling on Small Business Concerns and Practical Recommendations*. The study relied mainly on a survey of small business owners and others involved in the federal procurement process (i.e. agency OSDBUS, Contract Officers, etc.). The study's conclusion recommended more systematic and detailed analysis of prime contracts data to substantiate or disprove the claims of small business owners that umbrella contracts were harming their companies.

This study brings new analytical techniques to bear on available data in an effort to fulfill the mandate provided by the earlier study and to establish a methodology for ongoing analysis of the impacts of bundled contracts.

II. Methodology

The main challenge in performing this study is that the government does not currently track data that specifically identifies bundled contracts from non-bundled contracts. Before any data processing could begin, Eagle Eye first had to identify these contracts and related trends using available data. This required making certain assumptions about the contracts database that serves as the core of this analysis.

A. The Data Source

The database used for this study is an enhanced version of data issued by the Federal Procurement Data Center (FPDC), a branch of the U.S. General Services Administration (GSA). The FPDC is responsible for collecting, editing and disseminating prime contracts data to Congress, the executive branch and to the private sector so that government officials and the general public can monitor the government's dealings with contractors. With this data the federal government measures the impact of federal procurement on the nation's economy, monitors the distribution of contracts to large, small and small/disadvantaged businesses, and periodically assesses the effectiveness of federal procurement policies.

The core data elements collected in this database describe various characteristics of contractual obligations made between the federal government and prime contractors doing business directly with a federal agency. Neither sub-contract nor budget data are currently part of the prime contracts database.

A prime contract obligation is a legally binding agreement between the government and a contractor that commits the government to acquire products or services at an agreed price. Obligated dollars are debited by the authorizing agency to a contractor's account at the federal buying activity responsible for the purchase. These obligated funds are then used by the purchasing personnel to make payments to the contractor on an agreed payment schedule. Obligations are therefore closely linked to, but do not necessarily match, contractor progress.

Every time the government makes an initial obligation on a contract of at least \$25,000 a purchase officer must fill out either a DD-350 form (for defense agencies) or an SF-279 form (for civilian agencies). These forms describe the financial, competitive, statutory and other characteristics of the obligation.

Over the entire course of a contract's duration, a purchase officer might fill out numerous DD-350 or SF-279 forms for a single contract. This is because the dollars contained in a single obligation may not represent the total value of a contract. In fact, there are about 500,000 annual contract obligations in FPC involving approximately 190,000 contracts. This means each year there are on average about 3 obligations per contract per year. Some small contracts have only one obligation, but some large contracts can have over 100.

Each DD-350 or SF-279 report forms the basis of a separate record in FPC. A purchase officer will fill out a separate procurement form every time there is an obligation to be made. Each obligation shows a unique combination of the following data elements: the Agency Name; the Contract Number; the Contract Modification Number; the Contract Office Order Number; the

Purchase Office Code; the Action Date; or the Amount of Obligation. Each time a new form is filled out, a separate task has been documented.

B. Defining Bundled Contracts

Given the limitations of reported contract data, no definition of bundled contracts is perfect. But after considerable analysis and testing, Eagle Eye developed a definition of bundled contracts that met the demands of analysis.

Eagle Eye first attempted to define a bundled contract using multiple Standard Industrial Classification (SIC) codes on a single contract number as the distinguishing feature of a Candidate Bundled Contract (CBC). The rationale was that different SIC codes were clear signs of distinct tasks. After selecting and analyzing this CBC data in thirteen markets, we determined that too much potential bundled contract data was being eliminated. Many contracts with numerous, small obligations and only one SIC code were being filtered out of the analysis, eliminating almost all dollars in some CBC market categories and many business categories. The limited nature of the CBC data became particularly evident when comparing these CBC trends with other measures of contract counts and totals.

Eagle Eye then tried broadening the definition of a bundled contract by calling any contract with more than one obligation a CBC. We analyzed data using this definition and found the counts and totals of CBCs grew so high that it was unlikely so much bundling would be occurring.

Eagle Eye finally settled on a CBC definition that appeared comprehensive and justifiable. We defined CBCs as any contract showing multiple SIC codes, multiple Types of Contract Codes (Cost-Plus, Firm Fixed Price, etc.) or multiple Places of Performance (where work is performed). We reasoned that any difference in any of these three codes on the same contract was almost certainly an indication of a new task and thus a candidate for bundling. Testing confirmed that the selection of CBCs constituted a reasonable number of contracts and left no unexpected gaps when the data was broken down by business category.

Adding to the complexity of analyzing CBCs is the fact that when we select data according to a market definition, for example ADP Services, not only can the actions constituting an ADP Services contract be bundled, but the ADP Services themselves could be part of a larger bundled award for, say, a new, multi-faceted airport communications system. The selection of each market's CBCs must be done in two steps: first, select a list of contracts that strictly conform to the market definition; and second, re-select all contract actions from the master file whose contract numbers matched those in the original list of contracts. Analysis of this more inclusive second file for multiple SIC codes, Contract Types and Places of Performance gives us a more accurate CBC measure.

C. Supporting Data

The scope of analysis for this project was further broadened to include additional trends that might confirm or question the presence of bundling in a given market. Given that available contract data do not include flags for bundled contracts, we asked, "If bundling were occurring, what other trends ought to be evident?"

For one indicator, we reasoned that if the number of CBCs were growing and causing a decline in the number of small contracts, we might expect to see a growth in the number of actions, or obligations, on each contract. We therefore developed a measure called Actions Per Contract, or "APC."

Because CBCs are likely to consist of a number of smaller actions, we reasoned that another sign of bundling would be a decline in the number of contracts valued between \$1,000 and \$100,000 for both large and especially for small businesses.

The small- versus large-contract and business comparisons also help us assess any real financial damage inflicted on small businesses by CBCs. Because even bundled contracts worth less than \$100,000 must first be competed among small businesses, we would not see any evidence of harm caused to small businesses unless we see a simultaneous decline of small contracts to small business and an increase of larger contracts to large business. Large businesses may also be winning more small contracts away from small business. Analysis of contracts by dollar amount and business type is therefore critical.

D. Plan of Analysis

Having developed a workable definition of a bundled contract, we then determined what kind of trends we would expect to see and what kind of data would support or disprove claims of harm to small business caused by bundled contracts. This study's statement of work implicitly calls for answers to three questions: is contract bundling occurring? ; is it harming small businesses? ; and will the increase in the small purchase threshold to \$100,000 exacerbate any observed trends? Eagle Eye determined that if contract bundling were occurring, we would expect to see evidence in the database of the following:

1. **An increase in the number and percentage of Candidate Bundled Contracts (CBCs) for all businesses.** CBCs are contracts showing two or more SIC codes, two or more Type of Contract Codes or two or more Places of Performance in a single fiscal year. An increasing CBC ratio over time is a good indication that contract consolidation is occurring.
2. **An increase in the ratio of Actions Per Contract (APC) for all businesses.** If contract consolidation is occurring we would expect to see a rising number of orders placed against individual contracts. The APC should tend to confirm observed trends in the CBC ratio. APC can also supplement CBC data by indicating increased award activity on potentially bundled contracts showing only one SIC, Type of Contract Code and one Place of Performance.
3. **A growing percentage of large contracts valued more than \$100,000 for all businesses, large and small.** If small contracts are being rolled into larger ones, we would expect to see an increase in the share of large contracts and a decline in the share of small contracts measured as a percentage of all contracts awarded in each market.
4. **A growing percentage of large contracts valued more than \$100,000 for small businesses only.** This measure helps us confirm or question the extent to which contract consolidation may be occurring by isolating the trend for just small businesses.

To determine if contract bundling were harming small businesses, Eagle Eye further looked for evidence of the following:

1. **A decline in small business revenues.** If small business revenues rise more slowly or fall faster than overall market dollars, small businesses are losing dollar share and are being left behind, if not being harmed.
2. **Significant differences between large and small business categories of CBC shares of awarded contracts.** Any business category, small or large, may demonstrate a trend toward contract bundling. If CBC shares are growing rapidly in one or more business categories while holding steady or declining in others, there is the clear potential that one business category is winning new, bundled contracts at the expense of another. A growing CBC ratio may also indicate that the larger businesses are winning contracts at the expense of the smaller businesses in the same business category. These figures require close scrutiny and interpretation in the context of each market's observed trends.
3. **A decline in the number and percentage of small businesses overall and in each market.** If bundling were occurring, it could be forcing small businesses out of the federal marketplace;
4. **An increase in the share of large contracts going to large businesses relative to large contracts going to small businesses.** Assuming bundled contracts will be larger than un-bundled contracts, significant differences in large contract trends among small and large businesses could indicate that small businesses are being adversely affected by contract consolidation;
5. **A decline in the rate at which new, small businesses enter the federal market.** Counting the ratio of new companies to prior-year incumbents gives an indication of whether small companies face barriers like bundling that prevent them from entering the federal marketplace.

E. Market Breakdown

Eagle Eye sought to group the analysis of bundled contract data into various product and service categories to more fully illustrate the nature of trends in particular markets that are known to have significant numbers of small business contractors. The SBA's 1993 study of bundled contracts focused on nine market categories, including: ADP Manufacturing and software; facilities maintenance; systems maintenance; food service; housekeeping services (base operations); hospital and pharmaceutical supplies; ship repair; architectural services; and construction and renovation. Eagle Eye expanded on this list to include refuse services (a small business demonstration test program market); the housekeeping group as a whole, office supplies and moving services. Additionally, ADP Manufacturing and software were separated to distinguish manufacturing from services. The full list of individual markets analyzed in this study includes:

1. **Construction & Renovation (Federal Supply (FS) Groups Y & Z)**
2. **Ship Repair (PSCs J019, J998, J999)**
3. **Architecture & Engineering Services (FS Group C)**
4. **Refuse Removal, Waste Treatment & Storage (PSCs S205, S222)**
5. **Facilities Maintenance (PSC S216, SIC 8744)**
6. **Housekeeping Services (FS Group S2)**
7. **Food Service (PSC S203)**
8. **ADP Services (FS Group D)**

9. ADP Manufacturing (FS Group 70)
10. Hospital & Pharmaceutical Supplies (FS Group 65)
11. System Maintenance, Repair & Alteration (FS Group J0*)
12. Office Supplies (FS Group 75)
13. Moving Services (FS Group V)

F. The Rating System

Finally, Eagle Eye devised a means by which each market could be prioritized by the extent to which bundling was occurring and causing harm to small businesses. The overall measures of CBC and related trends (the first four Supporting Data items) were assigned a "1", ".5" or "0" depending on whether a trend strongly supported ("1"), moderately supported (".5") or failed to support ("0") trends toward bundling.

For the remaining five data elements that portray the extent of harm caused to small businesses, Eagle Eye assigned values of "1" (Strongly Support), ".66" (Moderate-High Support), ".33" (Moderate-Low Support) and "0" (Low Support) according to Eagle Eye's evaluation of the significance of each trend upon each business type.

Assigning numeric values to represent an assessment of economic harm to small business involves judgement, of necessity. For instance, if the CBC ratio is rising for small businesses in a declining market, this is typically interpreted as a harmful sign because it indicates contract consolidation. However, if CBCs represent a stable or rising share of contracts in a growing market, the small business CBC ratio could be viewed as positive, particularly if the small business share of the market is growing and the number of small business market participants is growing. Throughout the study, justifications for ratings are provided wherever questions of interpretation arise.

A table containing rating totals is provided in the summary analysis at the end of each market analysis. This consolidated figure is intended to help focus attention on markets where bundling is occurring and causing the greatest harm to small businesses.

III. Data Overview

A. Evidence of Contract Consolidation

1. Government-wide Trends

In the context of a shrinking federal market, a general consolidation of contracts and dollars in the hands of a smaller number of companies appears to be underway. In the FY91-FY95 time frame, overall government contract spending dropped 8.7%, or \$17.2 billion, from \$196.6 to \$179.4 billion. With the number of individual business units receiving contracts falling overall from 78,800 to 74,400 FY91-95, average revenues per business unit dropped from \$2.5 million to \$2.410 million. The number of contracts awarded declined by 22,000, or 11%, from 193,000 to 171,000. Given the slightly slower rate of decline in spending, average contract value rose slightly from \$1.016 million in FY91 to \$1.046 million in FY95. In short, in FY95 there was less money going to fewer contractors via fewer contract vehicles. Because the number of contract vehicles dropped faster than the sum of dollars awarded through them, average contract value increased. This suggests a gradual consolidation among an increasingly competitive community of federal contractors and further suggests an increase in requirements for companies to be able to fulfill larger projects. This would tend to benefit large contractors and the larger small businesses.

2. Candidate Bundled Contract Trends

Overall CBC dollars, numbers of contracts and recipient companies fell in the five-year period of this study. CBC spending paralleled declines in overall federal contracting. CBC dollars dropped 21% FY91-95, from a peak of \$63 billion to \$49.8 billion. The CBC share of all federal dollars also dropped steadily, from 32% in FY91 to 27.8% in FY95. The number of business units receiving CBC awards declined by 1,296, from 13,851 to 12,555. However, this constituted only a 0.7% decline in their share of business units overall over the five years. In other words, as the CBC dollar share of federal contract spending dropped 4.2% FY91-95, the number of business units receiving CBCs remained relatively constant

While the number of CBCs themselves is down 27.5%, from 12,303 in FY91 to 8,733 in FY95. Yet the CBC share of all contracts has now grown for the second straight year. At 6.6% in FY91, CBCs fell to a 4.8% share in FY93 but have now risen to 5.3% of all contracts in FY95. Because CBC dollars have declined faster than the number of CBCs, the dollar value of an average CBC is higher in FY95 than in FY91. In FY91, the average CBC was worth \$512,069 and in FY95, \$576,812. The peak in average value was actually FY94, when an average CBC was worth \$647,684.

3. Actions Per Contract (APC)

If contract consolidation were occurring, we would expect to see an increase in the number of individual obligations of dollars on the same contract. Confirming this trend, APC figures are up in

FY95 after remaining at a plateau for the previous three years. The FY95 APC figure stands at 2.78, up 3.3% from FY94, and up a total of 15.8% from the 2.4 APC figure in FY91.

Requirements might also be bundled from the beginning and show a very low APC. Presumably these contracts would also represent more dollars and be picked up in the assessment of small and large contract awards.

4. Small vs. Large Contract Trends

Despite the overall drop in federal spending FY91-95, large contracts greater than or equal to \$100,000 constituted a significantly larger percentage of all contracts in FY95 than they did in FY91. Between FY91-95 the large contract share of all contracts increased steadily from 40% to 48%, a 20% growth over five years. Small contracts valued less than \$100,000 declined from 60% to 52% of all contracts awarded.

B. Evidence of Harm to Small Businesses Caused By Contract Consolidation

Of the three main business categories highlighted in this study, 8(a)s and Small Disadvantaged Businesses (collectively called SDBs), Other Small Businesses (OSBs) and Large Businesses (LBs), SDBs appeared to prosper while OSBs and LBs showed mixed returns. Where there is evidence of economic harm caused by contract consolidation, OSBs tended to fare worse than 8(a)/SDBs and LBs.

1. Dollar and Contract Trends By Business Type

The combined small business share of the number of awarded contracts has declined steadily since FY92, from 60.5% to 58.9%, but small business dollar share is up, from 16.5% to 17.8% overall during the same period. This suggests contract consolidation among small businesses.

8(a)/SDB gains mask the extent of OSB losses. Total 8(a)/SDB dollars increased 52%, from \$6.9 billion to \$10.6 billion, growing their market share from 3.5% to 5.9%. OSB dollars declined 15.8%, from \$25.4 billion to \$21.4 billion, causing OSB dollar market share to decline from 12.9% to 11.9%. LB dollars shrank 10.8 percent, and their market share declined from 68.3% to 66.7%.

Clearly, 8(a)/SDBs are the primary winner in the battle for federal market share over the last five years. Their dollar and contract share has grown along with the size of their contracts. The effects of the recent Supreme Court decision on the conditions required to justify set-aside contracts may temper these gains.

2. Small Business Trends In Small vs. Large Contracts

All major categories of business are growing increasingly dependent on large contracts. The number of large contracts awarded to 8(a)/SDBs grew from 7,908 to 13,331 for a dramatic 12.5 percentage point gain. OSBs saw the share of their contracts worth greater than \$100,000 grow from 28.7% to

36.9%, or 8.2 percentage points, and LBs grew their share from 53.4 to 59.9, or 6.5 percentage points. In each business category, both the absolute numbers of large contracts and their share of all contracts in each category grew. In view of the downturn in overall spending and numbers of contracts over the FY91-95 time frame, the trend toward larger individual contracts is clear.

The large contract share of contracts awarded to all small businesses, including 8(a)/SDB and OSBs, grew 33%, from 31.6% in FY91 to 42.1% in FY95. In other words, in FY91, one out of every three contracts awarded to a small business was large. By FY95, the figure had grown to nearly one out of every two contracts. The small contract share of contracts awarded to small businesses dropped correspondingly.

3. Contract Size Trends By Business Type

Average SDB contract size grew 17.6% over the study period, from \$415,000 to \$488,000. OSB contracts grew 3.4%, from an average of \$261,000 to \$270,000. LB contract size was virtually unchanged, growing 1.2% from \$2.316 million to \$2.346 million.

OSBs received a lower share of contracts awarded in FY95 than they did in FY91 as shares for SDBs and LBs rose. In FY91, 57.1% of all businesses receiving contracts were OSBs and 21.9% were LBs. By FY95, 51.5% were OSBs and 24.5% were LBs. SDBs climbed from 7.8% to 9.8% during the same period.

Contracts per business unit, or DUNS number, declined from 2.45 to 2.3. Broken out by business category, OSB contracts per business unit declined, from 1.96 to 1.85 and LB contracts fell from 3.04 to 2.52. SDB contracts actually rose from 2.46 to 2.68, indicating the increasingly important role played by small and minority-owned firms.

4. Small Vs. Large Business Trends in CBCs

Between FY91 and FY95, the numbers of CBCs awarded to OSBs have dropped dramatically, from 5,520 to 2,807, or 49%. CBC numbers for LBs fell only 15%, and the count of CBCs for SDBs actually rose from 1,002 to 1,256, or 25%. Since FY92, however, counts of CBCs and their share of overall contracts have been relatively steady. The SDB share of CBCs has risen a slight .3% and for LBs .2% since FY92. At 1.7%, in FY95, OSB CBCs as a share of all contracts are exactly where they were four years ago.

5. Trends In Counts of Business Types

The generally negative small business trends are borne out by overall figures for the types of businesses participating in federal markets. Between FY91-95, the federal government experienced a net loss of 4,200 companies from the federal marketplace. The total number of business units fell from 87,107 to 82,907. Most of this loss can be attributable to Other Small Businesses (OSBs). During this period, 7,000 OSBs left the federal marketplace and their share of the count of all federal contractors shrank 5.6 percentage points, from 57.1% to 51.5%.

By contrast, the 8(a)/SDB share of all federal contractors grew 2 percentage points, from 7.8% to 9.8%, and Large Businesses (LBs) grew their share from 21.9% to 24.5%. During this period, 4,200 companies left the federal market. Both categories of business experienced net increases in numbers of participating business units.

6. Ratio of New, Small Businesses Entering the Federal Marketplace

If bundling is occurring, one of the negative impacts we would expect to see over the long term is a decrease in the number of new, small businesses entering the federal marketplace. Indeed, the number of new, small businesses and their share of the count of all small businesses has occurred in each of the last four fiscal years. In FY92, there were 37,906 small businesses doing work for the federal government that had not done work the previous year. This represented 57.6% of all small businesses in FY92. From there new, small businesses proceeded to decline to 37,380 in FY93, 25,160 in FY94 and finally to 21,058 in FY95, a four-year loss of 44%. By FY95, new, small businesses represented only 43% of all small businesses in the federal marketplace.

7. Conclusion

Contract consolidation appears to be increasing and causing harm to small businesses, primarily OSBs. The CBC share of all federal contracts is up for the second straight year despite an overall decline in federal spending and spending on CBCs. There are more actions per contract and now, nearly one out of every two contracts is large, up from 40% the previous year.

OSBs, which make up the majority of small business government contractors, saw total dollars, market share and numbers of contracts decline, while average contract size increased. OSBs and LBs both lost dollar market share, but OSB dollar market share declined three times faster (from 12.9% to 11.9%, or 7.8%) than LB dollar market share (from 68.3% to 66.7%, or 2.3%). LBs, many of which are defense contractors, saw post-Cold War dollars, market share and numbers of contracts decline, with contract size remaining virtually unchanged.

Small businesses are becoming increasingly dependent on fewer, and larger, contracts. Average contract size is up for all business categories. SDB contract size rose most dramatically, up from \$415,000 to \$488,000, or 18%. Large contracts (greater than \$100,000) constituted 42.1% of contracts awarded to all small businesses in FY95, up from 31.6% in FY91.

Despite rising contract values, OSBs lost market share, the only major business category to do so. The number of OSBs receiving contracts declined from 57% to 51% of the total number of federal contractors, and the number of contracts per OSB business unit fell as well, albeit not as dramatically as for large businesses.

The number of CBCs awarded to OSBs fell 49% FY91-95, but since FY92, the CBC share of all small business contracts has been steady. Given the increasing size of an average contract, the CBC dollar share of small business contracts is slightly more significant now than it has been.

A more significant indicator of negative impacts on small business may well be the continued disappearance of small businesses from the federal marketplace. Virtually all the 4,200-contractor decline FY91-95 can be explained by the loss of 7,000 OSBs, which declined in number from 57%

57% of all federal contractors. Furthermore, fewer and fewer new, small businesses are entering the federal marketplace each year. The ratio of new, small businesses as a share of all small businesses has fallen from 57.6% to 43% between FY92 and FY95.

Any one of the trends cited might have other explanations than contract bundling. External economic factors like inflation, for instance, undoubtedly have contributed to rising contract values. Political trends like the end of the Cold War and, more recently, government down-sizing undoubtedly explain a significant portion of the reduction in government spending and the decline in the number of participating companies. But given a declining federal market and inflation, when you study contracting patterns in relation to one another, trends emerge requiring additional explanations. Trends in CBCs, actions per contract and actions per business unit in combination with simultaneous trends in numbers of contracts, increased dollars per contract and declines in new, small business entrants appear to indicate clear trends toward contract consolidation. *The data show indisputably that fewer and larger contracts are being won by fewer and larger companies. Furthermore, it appears small businesses are being squeezed out of the federal marketplace as these trends occur.*

C. Market-By-Market Overview

1. Summary Observations

The thirteen markets selected for this study were picked either because they were part of a previous SBA analysis of bundled contract trends or because they are known to involve significant percentages of small business vendors. The 13 sectors cover the widest possible range of skill requirements, from building maintenance to computer systems integration. The markets vary in dollar size from Office Supplies at \$200 million to Construction at \$16.7 billion in FY95.

Despite the overall downturn in federal spending from FY91-95, 10 of the 13 sectors selected actually show higher revenues in FY95 than they do in FY91. Only Moving Services, Hospital and Pharmaceutical Supplies and Food Services show revenue declines. The most significant decline was the \$2.3 billion, 49% drop in Moving Services awards over five years.

Two of these declining sectors, Hospital and Pharmaceutical Supplies and Food Services, are among the top six markets exhibiting signs of contract bundling. For the others it appears that spending cutbacks do not help explain trends toward contract consolidation.

Eight of the 13 sectors show a FY91-FY95 drop in the number of awarded contracts, and seven of the thirteen sectors show a drop in the number of participating companies. Given rising revenue trends in 10 of these sectors, it is not surprising that most sectors show rising average contract values for all major business types. Rising contract values are one indicator of contract bundling.

Ten of the thirteen markets studied cover various kinds of services. The remaining three markets - Hospital and Pharmaceutical Supplies, ADP Manufacturing and Office Supplies - are commodity-oriented. Because commodities are commonly purchased off GSA Schedule contracts in dollar volumes under the FPDC reporting threshold, spending statistics for commodity sectors will

understate significantly the impact of contract consolidation. GSA Schedule contracts are themselves consolidated contracts.

The six industries exhibiting the strongest tendencies toward bundling all have a significant defense component. Ship Repair is virtually all defense-related, while the majority of Architecture and Engineering and Construction sector dollars support the needs of America's military installations and facilities. Government purchases of hospital supplies and pharmaceuticals largely support the armed forces and the nationwide network of veterans' hospitals. In the face of large personnel cutbacks over the last five years in the Defense Department, contract consolidation may be viewed as a way to meet ongoing procurement requirements with fewer staff.

Two markets showing unexpectedly strong small business participation are ADP Manufacturing and ADP Hardware. Both are rapidly rising markets in a "hot" technology area: Dollar totals in ADP Services grew almost 50% in five years; ADP Manufacturing grew approximately 20%. Despite recent awards of large IDIQ and GWAC contracts, FY91-95 contract figures show a competitive sector with only moderate signs of bundling.

A sector's size in dollars does not appear to have a significant bearing on the intensity of contract consolidation that occurs. The two sectors demonstrating the strongest tendencies toward bundling, Ship Repair and Architecture and Engineering, rank sixth and ninth in total FY95 dollars. Hospital and Pharmaceutical Supplies, ranked third for bundling intensity, ranks tenth in total FY95 revenues. At \$16.7 billion in FY95 dollars, Construction was the largest sector studied. It ranked fifth in bundling intensity. Facilities Maintenance at \$8.0 billion in FY95 revenues was the second largest sector studied. Its consolidated bundled contract rating placed it sixth on the ranked list.

2. Bundled Contract/Harm To Small Business Consolidated Ranking

There is considerable variation in the degree to which bundling has been a factor in awarding contracts. Table 1.0 ranks the 13 market sectors by their combined Bundled Contract/Small Business Impact Rating. As described earlier in this study, the rating system is a shorthand reference tool to help prioritize review of the different markets. The higher the rating, the greater the likelihood that bundling is occurring and that it is harming small businesses. The highest possible rating is a 9, but no market received a rating higher than 7.98.

Eleven of the thirteen markets show moderate or strong signs of contract bundling. The top five markets also show strong signs that contract consolidation is having a negative impact on small business participants in those markets. Some lower-ranked sectors, like Refuse Services and Systems Maintenance, also show signs that small businesses are being harmed, but the weakness of the bundled contract indicators in Categories 1-4 indicate that the harm being caused may have other explanations.

The New, Small Businesses rating (Category 9) received the highest average score of all trends studied. Small businesses appear to be facing increasing barriers to entry in nearly all markets studied, regardless of the CBC and large contract trends. This suggests that CBC trends only partially explain why increasingly fewer small businesses desire to work with the federal government.

It should be noted that these Bundled Contract ratings represent a conservative estimate of the extent of bundling throughout the government. One reason, as noted, is that GSA Schedule

contracts represent a form of bundling. Because commodity purchases frequently do not meet GSA reporting thresholds, Schedule contract dollars are understated in the FPDC database. The other reason is that bundling may indeed occur within identical kinds of contracts, SIC categories and places of performance. Given that the definition of bundled contracts is based on differences in these indicators within the same contract vehicle, the consolidation of similarly coded contracting activity would not be picked up in the analysis. This would tend to understate the extent of contract consolidation. Nonetheless, the bundled contract share of the count of federal contracts has grown for two straight years.

The following section describes in detail how each sector's rating was derived.

Summary of Bundled Contract / Harm To Small Business Ratings Organized by Business Category, Ranked by Rating Total

	1. CBC %	2. APC	3. Lrg/Small Contr %	4. SB Lrg/Sm Contr %	5. Bus Typ \$ Trends	6. Bus Typ CBCs	7. Bus Typ Counts	8. Bus Typ Lrg Cont	9. New SB Share	Totals
Ship Repair	1	1	1	1	.66	1	.66	.66	1	7.98
Arch & Engineering	1	1	1	1	.66	.66	.66	.66	1	7.64
Hosp & Pharm Supplies	1	1	.5	.5	1	1	.66	1	.5	7.16
Food Services	1	.5	1	1	.33	.66	1	.66	1	7.15
Construction	.5	1	1	1	.33	.66	.66	.66	1	6.81
Facilities Maintenance	1	.5	.5	.5	.33	1	.66	0	1	5.49
Refuse Services	.5	.5	.5	.5	.66	0	.66	.66	1	4.98
ADP Services	.5	1	.5	.5	.33	0	.66	.66	1	4.54
ADP Manufacturing	.5	.5	.5	.5	.33	.33	0	.66	1	4.32
Housekeeping Services	.5	.5	.5	.5	.33	0	.66	.33	1	4.32
Moving Services	.5	0	0	1	.33	.66	.33	0	1	3.89
Office Supplies	.5	0	0	0	1	.33	0	.66	1	3.49
Systems Maintenance	0	0	0	0	.66	.33	.33	.33	.5	2.15
Category Average	.62	.58	.54	.62	.53	.51	.48	.53	.92	
Category 1-4, 5-9 Averages										.59

Table 1: Market Ranking by Combined Bundled Contract/Small Business Impact Rating. This table consolidates the "Combined Bundled Contract/Harm To Small Business Rating" figures that appear in bold print at the end of each of the 13 Market Summary sections in the Detailed Market Analysis section that follows. The numbers were assigned on a scale of 0 to 1, with 0 representing no support and 1 representing strong support for trends toward greater contract consolidation and increased harm to small business.

IV. Detailed Market Analysis

A. Construction & Renovation Sector (FS Groups Y & Z)

1) General Trends

Spending in the Construction and Renovation market fluctuated over the FY91-FY95 period, falling from \$15.6 billion in FY91 to as low as \$13.3 billion in FY93 before finishing at a high point of \$16.7 billion. A tremendous shift in spending toward LBs and 8(a)/SDBs and away from OSBs is now well underway. The distribution of dollars between OSBs and LBs was roughly on a par in FY91 - \$6.2 billion to OSBs and \$6.9 billion to LBs - despite the 800% OSB advantage in numbers of companies. By FY95, the LB to OSB revenue advantage was approaching two-to-one, and the OSB to 8(a)/SDB revenue advantage had closed from five-to-one to two-to-one. In other words, OSB construction contractors are being squeezed by both small and large firms.

Increasing expenditures primarily benefitted Small, Disadvantaged Businesses (SDBs) and Large Businesses. Their revenues grew 122% and 13.9% respectively from FY91 to FY95. OSBs experienced a dramatic 27.4% dollar decline over the same period.

Despite the sector's revenue growth, both the number of small companies and the number of contracts awarded to small companies declined significantly. Between FY91-95 SDBs and OSBs together experienced a drop of 20.8% in the number of active companies, from 19,100 to 15,120. Not surprisingly, the number of contracts these companies received dropped an almost identical 20.9%, from 39,928 to 31,591.

Large businesses gained not only in terms of revenue but in numbers of participating companies and contracts as well. Counts of active, large companies climbed 9.5% and contracts 16.3% over the five-year period.

Overall, increased construction expenditures combined with a declining number of contracts led to a substantial 30.4% increase in average annual contract size over the FY91-95 period, from \$342,000 to \$446,000. Together with counts of small businesses and small business contracts, these statistics strongly suggest that significant contract consolidation is occurring in the Construction and Renovation sector.

2) CBC Trends

The CBC share of all Construction contracts dipped and rose again, ultimately finishing the FY91-FY95 period slightly below initial CBC levels. Table 1.1 documents the trend. The increasing share of bundled contracts in FY95 was the result of the number of CBCs holding steady and the total number of Construction contracts falling 18%. While a consistent trend is difficult to discern, the jump in CBC share in the last year indicates increasing contract consolidation. **Bundled Contract Rating: .5 (Moderate)**

Table A.1: Overall Trends In Construction & Renovation CBCs FY91-95.

FY	CBCs	CONTRACTS	CBC PCNT
91	829	44770	1.9
92	768	45128	1.7
93	650	41186	1.6
94	640	44492	1.4
95	640	36290	1.8

Contract counts exclude contracts with negative or zero net dollar values.

3) *Actions Per Contract (APC) Trends*

As the number of Construction contracts has fallen, the number of obligations or orders per contract has fluctuated up and down by 10,000 to 15,000. Ultimately, contract actions declined more slowly than contracts and the APC rose for three straight years to finish at 2.18 in FY95. This represents a 21% growth in APC over five years. This is significant growth. Construction is a market sector that would tend to understate the number of CBCs because of the nature of construction work – generally one place of performance per contract, similar SIC codes and contract codes from action to action. The 30% growth in the average value of a Construction contract over the five years is probably linked to the overall growth in APC. **Bundled Contract Rating: 1**

Table A.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	45783	82534	1.8
92	46403	94194	2.03
93	42443	85704	2.02
94	46003	96854	2.11
95	37493	81708	2.18

Here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) *Overall Trends in Large vs. Small Contracts*

Large contracts valued greater than \$100,000 assumed an increasingly important role in the construction market over the FY91-FY95 period. The number of large contracts grew 39%, from 10,015 to 15,319, with a corresponding shrinkage of small contracts. This indicates that not only did the average value of a Construction contract grow, but nearly one out of two contracts is now over \$100,000, significantly raising the entry point for small businesses. This represents a dramatic reversal in the government's reliance on small contracts in this market sector. The trend is clearly toward larger, multiple-order contracts. **Bundled Contract Rating: 1 (High)**

Table A.3: Overall Trends in Large (L) And Small (S) Contracts In The Construction & Renovation Sector

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	11015	44770	24.6
	S	33755	44770	75.4
92	L	12916	45128	28.6
	S	32212	45128	71.4
93	L	14210	41186	34.5
	S	26976	41186	65.5
94	L	15178	44492	34.1
	S	29314	44492	65.9
95	L	15319	36290	42.2
	S	20971	36290	57.8

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

5) Small Business Trends in Large vs. Small Contracts

Among small businesses, the share of large contracts valued over \$100,000 nearly doubled over the FY91-FY95 period. The four-to-one advantage of small contracts over large ones in FY91 was reduced to three-to-two by FY95. Given the success of set-aside programs over this period, these figures mask even steeper declines in small contract ratios for OSBs. **Bundled Contract Ratio: 1 (High).**

Table A.4: Trends in Large (L) And Small (S) Contracts For Small Businesses In The Construction and Renovation Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	7816	39088	20.0
	S	31272	39088	80.0
92	L	9795	40355	24.3
	S	30560	40355	75.7
93	L	10819	36341	29.8
	S	25522	36341	70.2
94	L	11549	39434	29.3
	S	27885	39434	70.7
95	L	11689	31455	37.2
	S	19766	31455	62.8

6) Contract and Dollar Trends by Business Type

Construction revenues shrank dramatically for OSBs and grew for 8(a)/SDBs and LBs. Despite the dramatic revenue shifts within business categories, average contract values for OSBs and LBs remained relatively steady. However, average contract value grew quite dramatically for 8(a)/SDBs, increasing 55% over the FY91-FY95 time frame.

The purpose of disaggregating contract counts and dollar figures by business category is to determine whether small businesses are being harmed by trends toward increased bundling. However, in Construction we see 8(a)/SDBs demonstrating significant signs of contract

consolidation – significantly higher average contract values – while OSBs and LBs demonstrate increasing competitiveness within their business categories. Any harm being done by the apparent consolidation in the 8(a)/SDB category may be at the expense of OSBs or at the expense of smaller 8(a)/SDB firms. Rising LB revenues may also be due, in part, to losses in OSB awards. The picture of trends in bundled contracts demonstrated by this measure is definitely mixed. **Harm to small business rating: .33 (Low Moderate).**

Table A.5: Trends In Contract Counts, Total Revenues and Average Contract Size By Type of Business In The Construction And Renovation Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	5268	1241954	235.8
	OSB	34660	6256954	180.5
	LARGE	3402	6909830	2031.1
92	8(a)/SDB	6585	1642430	249.4
	OSB	34127	4683206	137.2
	LARGE	3601	5995924	1665.1
93	8(a)/SDB	6969	2032547	291.7
	OSB	29565	4379931	148.1
	LARGE	3851	6050910	1571.3
94	8(a)/SDB	7823	2624210	335.4
	OSB	31853	4491992	141.0
	LARGE	4199	8346743	1987.8
95	8(a)/SDB	7561	2764128	365.6
	OSB	24030	4540518	189.0
	LARGE	3957	7866400	1988.0

Because we use net dollar figures, contract contract counts include those with net negative values.

7) Small vs. Large Business Trends in CBCs

When we break the CBC share of all contracts out by business type, we see significant consolidation occurring again in the 8(a)/SDB category, with additional consolidation showing for LBs. As OSB revenues have fallen, however, so has their share of CBCs. The OSB CBC ratio of all Construction contracts declined sharply FY91-FY95, from 1.1% to .6%, or 45.4%. The share of CBCs awarded to 8(a)/SDB firms grew 133% over this period, and LBs grew their CBC share by 25%. To the extent that bundling is harming small Construction businesses, it is because OSBs are losing ground to both 8(a)/SDB firms and to LBs. **Harm to small business rating: .66 (Moderate-High).**

Table A.6: Trends In CBCs by Type of Business In The Construction And Renovation Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	153	44770	0.3
	OSB	514	44770	1.1
	LARGE	186	44770	0.4
92	8(a)/SDB	164	45128	0.4
	OSB	443	45128	1.0
	LARGE	189	45128	0.4
93	8(a)/SDB	153	41186	0.4
	OSB	280	41186	0.7
	LARGE	214	41186	0.5
94	8(a)/SDB	187	44492	0.4
	OSB	272	44492	0.6
	LARGE	195	44492	0.4
95	8(a)/SDB	236	36290	0.7
	OSB	207	36290	0.6
	LARGE	186	36290	0.5

Contract counts exclude contracts with negative or zero net dollar values.

8) Trends In Counts of Business Types

Another symptom of the potential negative impact of bundling on small business is a trend toward fewer small businesses and more large businesses receiving contracts. In the Construction and Renovation sector, the trend is clear.

Table A.7: Trends In Counts Of Construction And Renovation Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	2311	21082	11.0
	OSB	16789	21082	79.6
	LARGE	1914	21082	9.1
92	8(a)/SDB	3209	24234	13.2
	OSB	18816	24234	77.6
	LARGE	2328	24234	9.6
93	8(a)/SDB	3297	22534	14.6
	OSB	16765	22534	74.4
	LARGE	2592	22534	11.5
94	8(a)/SDB	3039	20509	14.8
	OSB	15560	20509	75.9
	LARGE	2446	20509	10.5
95	8(a)/SDB	2828	17093	16.5
	OSB	12292	17093	71.9
	LARGE	2095	17093	12.3

OSBs dropped from a total of 16,789 participating businesses in FY91 to 12,292 in FY95, a decline of 26.7%. This led to a shrinkage of the OSB share of all construction businesses from 79.6% to 71.9%. At the same time, the number of participating LBs grew from 1,914 to 2,095, and

the LB share of the market rose from 9.1% to 12.3%. 8(a)/SDBs also grew their share of all Construction businesses from 11% to 16.5%, a 50% gain. **Harm to small business rating: .66 (Moderate-High)**

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

Counts of large contracts are up in all business categories in the Construction sector. In terms of actual counts as well as in the share of all contracts, large contracts valued more than \$100,000 gained significantly at the expense of small contracts valued less than \$100,000. While a certain percentage of this large contract growth may be the result of inflation, in combination with other measures such as the increases in CBCs and APC, this data provides further evidence of the trend toward contract consolidation.

In terms of harm to small businesses, what is most significant here is that the rate of growth in large contracts is so much higher for large businesses than for small businesses that lack significant market share and procurement preferences. The number of large contracts for LBs grew from 1,381 to 2,049, or 48%. The number of large contracts for OSBs 2.4% from FY91-95 while overall contracts sank 30%. 8(a)/SDB firms grew their large contract totals 77%, from 647 to 1,145, but grew their total contract count as well.

The OSB and LB trends in large contract share is negative for small businesses because OSB contract share is growing and LB share is rising. If OSB contract opportunities were growing, as they are for 8(a)/SDBs, a rising large contract share could be viewed in the context of an expanding market and therefore be positive. But the Construction market for OSBs is shrinking, and rising contract values is a sign of consolidation. Rising LB contract values mean lost opportunities for small businesses. **Harm to small business rating: .66 (Moderate-High).**

Table A.8: Trends In Counts Of Large Contracts By Type of Business In The Construction And Renovation Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	1816	5106	35.6
	OSB	6026	34052	17.7
	LARGE	2008	3278	61.3
92	8(a)/SDB	2535	6532	38.8
	OSB	7302	33891	21.5
	LARGE	2435	3530	69.0
93	8(a)/SDB	3282	6942	47.3
	OSB	7562	29433	25.7
	LARGE	2781	3819	72.8
94	8(a)/SDB	3903	7794	50.1
	OSB	7679	31684	24.2
	LARGE	3123	4180	74.7
95	8(a)/SDB	4547	7538	60.3
	OSB	7179	23964	30.0
	LARGE	3092	3941	78.5

10) Ratio of New, Small Businesses Entering the Federal Marketplace

Since FY92, the number of new, small businesses entering the Construction and Renovation market has dropped 48%. Furthermore, the percentage of new, small businesses as a share of all small businesses has dropped nearly 16 percentage points, from 64.8% to 48.9%, for a total share decline of 24.5%. This confirms another expected negative impact of bundling on small businesses – a decline in the number of new entrants to the market.

Data show that the rate of new, large businesses entering the market has also declined. By concentrating awards in the hands of incumbents with significant market share, the government may be discouraging new, large businesses as well. **Harm to small business rating: 1 (High).**

Table A.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Construction And Renovation Sector.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
13783	64.8	12035	62.0	10353	57.8	7123	48.9

11) Construction and Renovation Market Summary

The Construction and Renovation sector shows moderate to strong signs of contract consolidation along with signs that small businesses, primarily OSBs, are experiencing negative impacts. Total spending is up for 8(a)/SDBs and for LBs, but down dramatically for OSBs, the largest business category in terms of numbers of participants. The CBC ratio is up dramatically in the last year, the APC ratio has risen steadily over the last three years and average contract values are up overall. This is further confirmed by the increasing share of all contracts represented by large contracts valued greater than \$100,000. Together, these trends may be hindering the entrance of new, small businesses into the market, as percentages of new firms have declined steadily for the last four fiscal years.

There are divergent trends, though, within the two main small business categories. 8(a)/SDB firms show substantial revenue growth, increasing CBC shares of all contracts and a growing share of large contracts worth more than \$100,000. It appears that OSBs are being squeezed both by small and large firms. The overall impact on small businesses of contract consolidation in the Construction market is negative. **Combined Bundled Contract/Small Business Impact Rating: 7.15.**

B. Ship Repair (PSCs J019, J998, J999)

1) General Trends

Spending in the Ship Maintenance and Repair market ended the study period in an upswing after moving up and down over the last five fiscal years. Starting in FY91 at \$1.3 billion, the sector grew to \$1.9 billion in FY92, fell to \$1.0 billion in FY94 before finishing at \$1.5 billion in FY95. This represents a \$187 million net gain FY91-FY95, or a 13.8% overall dollar growth.

Although OSBs had the majority of Ship Repair revenues in FY91 and FY93, business in this sector is now dominated large companies. LBs controlled 64% of the revenue and represented 64% of the participating companies in FY95. However, 8(a)/SDBs have made significant inroads. Their revenues grew 261% between FY91 and FY95, while LB dollars climbed 66%. OSB revenues sank 36% over the same period.

As with the Construction sector, the number of Ship Repair contracts declined in the face of increasing revenues. Between FY91 and FY95, the number of contracts overall shrank 38%, from 1929 to 1203. This decline hit OSBs hardest. OSBs saw 49% fewer contracts in FY95 than in FY91, while the number of 8(a)/SDB contracts grew 35% and the number of LB contracts declined only 4%.

The number of Ship Repair companies fell 11% overall. From FY91 to FY95, the number of OSBs dropped 21% and the number of LBs declined 5%. However, the number of 8(a)/SDB contractors more than doubled from 17 to 42, a gain of 147%.

Increased Ship Repair expenditures combined with fewer numbers of contracts led to an 83% increase in average contract value, from \$701,000 to \$1.279 million over the five years. These figures together with figures showing declining counts of OSBs and OSB contracts demonstrate that significant contract consolidation is occurring in the Ship Repair sector.

2) CBC Trends

The CBC share of Ship Repair contracts grew 38% from FY91 to FY95 as contract counts declined by 37%. Table 2.1 documents this trend. As with the Construction sector, there is a bump-up in FY92 contracts that may be related to ship repairs following the Gulf War or a spending surge during the last year of the Bush Presidency. The CBC share of all contracts has stabilized at just over 10%, down from a peak of 14.6% in FY93 but still up from FY94 and substantially higher than in FY91. **Bundled Contract Rating: 1 (High).**

Table B.1: Trends in Ship Maintenance and Repair CBCs FY91-95.

FY	CBCs	CONTRACTS	CBC PCNT
91	146	1891	7.7
92	211	1840	11.5
93	161	1106	14.6
94	145	1408	10.3
95	126	1184	10.6

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

As the number of CBCs in the Ship Repair sector has grown, so has the APC ratio. APC is up 47% over the FY91-95 period, supporting observed increases in CBCs. APC peaked in FY93-94 and declined a modest 7.5% between FY94 and FY95. However, the CBC trend in Shipbuilding is definitely up for the period. **Bundled Contract Rating: 1 (High).**

Table B.2: APC Trends In Ship Maintenance And Repair.

FY	CONTRACTS	ACTIONS	APC
91	1929	8723	4.52
92	1887	9440	5.0
93	1145	7945	6.94
94	1442	10353	7.18
95	1203	7984	6.64

Note that here the contract count includes contracts with zero or negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Large vs. Small Contracts

Large Ship Repair contracts nearly doubled their share of all contracts between FY91 and FY95. Numbers of large contracts grew only 23%, but the declining number of total Ship Repair awards led to a 25.4 percentage point surge in large contract share for a 97% total growth from FY91 to FY95s. The ratio of small contracts to large contracts went from approximately three-to-one to one-to-one, a dramatic sea change in the nature of Ship Repair contracting. **Bundled Contract Rating: 1 (High).**

Table B.3: Overall Trends In Large (L) And Small (S) Contracts In The Ship Maintenance And Repair Sector

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	496	1891	26.2
	S	1395	1891	73.8
92	L	694	1840	37.7
	S	1146	1840	62.3
93	L	656	1106	59.3
	S	450	1106	40.7
94	L	647	1408	46.0
	S	761	1408	54.0
95	L	611	1184	51.6
	S	573	1184	48.4

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

Table 2.4 graphically illustrates the impact on small businesses of the government's growing reliance on large Ship Repair contracts. In FY91, 81% of the contracts awarded to small businesses were under \$100,000. By FY95 that share sank 28 percentage points, or 34%. The number of small contracts declined 63% against a backdrop of moderately increased spending, a strong signal that contract consolidation is occurring. **Bundled Contract Rating: 1 (High).**

Table B.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The Ship Maintenance And Repair Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	302.0	1595.0	18.9
	S	1293.0	1595.0	81.1
92	L	435.0	1443.0	30.1
	S	1008.0	1443.0	69.9
93	L	420.0	760.0	55.3
	S	340.0	760.0	44.7
94	L	431.0	1081.0	39.9
	S	650.0	1081.0	60.1
95	L	406.0	873.0	46.5
	S	467.0	873.0	53.5

6) Contract and Dollar Trends by Business Type

As portrayed in Table 2.5, average contract value grew in every major business category over the period, symptomatic of the simultaneous growth in spending and a declining number of contracts. Predictably, 8(a)/SDB contract value soared from \$320,000 to \$859,000, or 168% over the FY91-FY95 period. Large business contract value grew 74% and OSB contracts 27%. This might be good news were it not for declines in numbers of companies and dollars overall in the OSB category. Furthermore, large companies are winning nearly two-thirds of the dollars with only one-quarter of the total contracts. **Harm to small business rating: .66 (Moderate-High).**

Table B.5: Trends In Contract Counts, Total Revenues and Average Contract Size by Type of Business In The Ship Maintenance & Repair Sector.

FY	BUS TYPE	CONTRACTS	\$(000)	AVG(\$000)
91	8(a)/SDB	69	22127	320.7
	OSB	1555	672702	432.6
	LARGE	202	588957	2915.6
92	8(a)/SDB	79	32769	414.8
	OSB	1384	734267	530.5
	LARGE	302	1084658	3591.6
93	8(a)/SDB	80	29410	367.6
	OSB	703	572026	813.7
	LARGE	262	567317	2166.3
94	8(a)/SDB	90	41927	465.9
	OSB	1002	452470	451.6
	LARGE	235	512020	2178.3
95	8(a)/SDB	93	79907	859.2
	OSB	786	431065	548.4
	LARGE	193	978992	5072.5

7) Small vs. Large Business Trends in CBCs

Table 2.6 shows that CBCs also grew in every major business category. The percentage growth from FY91-95 was greatest in the SDB sector, where the CBC share of all contracts more than doubled to 4.1%. The LB CBC share grew 58% and the OSB share only 11.5%, so not only is the popularity of CBCs increasing, but their use is growing faster for SDBs and LBs than it is for OSBs. In other words, OSBs are winning some of the newly bundled contracts, but they are losing ground to large and minority-owned companies. **Harm to small business rating: 1 (High).**

Table B.6: Trends In CBCs by Type of Business in the Ship Maintenance and Repair sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	39	1891	2.1
	OSB	460	1891	24.3
	LARGE	125	1891	6.6
92	8(a)/SDB	58	1840	3.2
	OSB	534	1840	29.0
	LARGE	196	1840	10.7
93	8(a)/SDB	56	1106	5.1
	OSB	391	1106	35.4
	LARGE	189	1106	17.1
94	8(a)/SDB	58	1408	4.1
	OSB	448	1408	31.8
	LARGE	161	1408	11.4
95	8(a)/SDB	51	1184	4.3
	OSB	321	1184	27.1
	LARGE	123	1184	10.4

Contract counts exclude contracts with zero or negative net dollar values.

8) Trends In Counts of Business Types

Table 2.7 shows that spending trends in the Ship Repair sector are having a negative impact on participation by OSBs. Overall small business participation in Ship Repair declined from 75% to 72%. However, within the small business community, trends go in opposite directions. 8(a)/SDB firm share grew 160% from FY91 to FY95 while the number of OSBs sank 21% and their share of all participating businesses fell 16%. LBs grew their share of all businesses by 6.8% over five years. **Harm to small business rating: .66 (Moderate-High).**

Table B.7: Trends In counts of Ship Maintenance and Repair Companies by Type of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	17	563	3.0
	OSB	404	563	71.8
	LARGE	83	563	14.7
92	8(a)/SDB	43	811	5.3
	OSB	572	811	70.5
	LARGE	148	811	18.2
93	8(a)/SDB	41	598	6.9
	OSB	365	598	61.0
	LARGE	126	598	21.1
94	8(a)/SDB	48	578	8.3
	OSB	351	578	65.9
	LARGE	92	578	15.9
95	8(a)/SDB	42	502	8.4
	OSB	321	502	63.9
	LARGE	79	502	15.7

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

As demonstrated by Table 2.8, the trend in large Ship Repair contracts is up, confirming other observed trends toward contract consolidation. Every business category showed an increase in their respective shares of large contracts valued greater than \$100,000. However, the OSB category showed the greatest gain, over 100%, growing from 18.9% to 39.1%. OSBs were followed by SDBs, which grew 50%, or 22 points between FY91-95. The large contract share for large businesses grew slightly, from 71% to 74%.

Table B.8: Trends In Counts Of Large Contracts By Type of Business In The Ship Maintenance And Repair Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	30	67	44.8
	OSB	275	1533	17.9
	LARGE	135	190	71.1
92	8(a)/SDB	34	76	44.7
	OSB	374	1361	27.5
	LARGE	202	281	71.9
93	8(a)/SDB	44	78	56.4
	OSB	348	682	51.0
	LARGE	177	247	71.7
94	8(a)/SDB	48	87	55.2
	OSB	341	982	34.7
	LARGE	164	224	73.2
95	8(a)/SDB	62	93	66.7
	OSB	302	773	39.1
	LARGE	141	190	74.2

10) Ratio of New, Small Businesses Entering the Federal Marketplace

Table 2.9 adds a final indicator of contract consolidation. The rate at which new, small businesses are entering the Ship Repair market is down 32%, from 68% of all small businesses in FY92 to 46% in FY95, the lowest percentage in four years. Although the percentages have jumped around somewhat, the overall trend is definitely downward. **Harm to small business rating: 1 (High).**

Table B.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Ship Maintenance And Repair Sector.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
407	68.1	206	52.8	251	60.9	161	46.4

11) Market Summary

The Ship Repair sector shows strong signs of bundling and strong signs of bundling having negative impacts on small businesses. Overall spending is up, but the number of participating small companies and contracts to small companies is down. CBCs are up overall and for every major business category. Actions per contract, average contract value and the share of large contracts are all up while the number and share of small contracts is down, particularly for small businesses.

As with the Construction sector, it appears much of this sector's growth is coming at the expense of OSBs. The Ship Repair sector is demonstrating a decline in the number of small company participants and a significant reduction in the numbers of new, small businesses entering the market. **Combined Bundled Contract/Small Business Impact Rating: 7.98.**

C. Architecture & Engineering Services (FS Group C)

1) General Trends

Like the Construction and Ship Repair sectors, spending on Architecture & Engineering Services (A&E) fluctuated over the FY91-95 period, ultimately ending with a net gain in dollars but declines in overall numbers of participating companies and contracts. Spending in the A&E sector grew 20%, from \$3.1 to \$3.7 billion, reaching as high a \$3.8 billion in FY92, and peaking again at \$3.7 billion in FY94. However, the declining numbers of participating companies and contracts tells us that company and contract consolidation must be occurring.

Large companies have dominated the market's dollar receipts over the FY91-FY95 period. In FY91, LBs received 75% of the dollars, OSBs received 17% and 8(a)/SDBs 3.6%. In FY95, the ratios stood at 79% for LBs, 12% for OSBs and 4.8% for 8(a)/SDBs. OSBs were the only major business category to see A&E revenues fall. While OSB dollars declined 16%, 8(a)/SDB revenues soared 59% and LB dollars climbed 28%. Clearly, A&E OSBs lost ground to 8(a)/SDBs and LBs.

The number of A&E contracts issued declined in spite of rising revenues. Numbers of contracts were down only 3.3% overall, to 6,710 in FY95. However the overall numbers mask the severity of the impact on OSBs. While number of A&E contracts increased to both 8(a)/SDBs and

to LBs, OSBs experienced a 24% decrease in the number of A&E contracts received over the five years.

Numbers of participating A&E businesses showed a similar trend. When broken out by business category the number of 8(a)/SDB firms increased 11%, LBs increased 17.7%, but OSBs fell 24%.

As with the Construction and Ship Repair sectors, the A&E sector experienced an increase in the value of an average contract as sector revenues grew and the number of contracts declined. In FY91, an average A&E contract was worth \$439,000. By FY95, it was worth \$546,000, an increase of 24%. Overall figures appear to confirm the presence of contract consolidation in the A&E market.

2) CBC Trends

The number of A&E CBCs grew by 31% FY91-95 as the number of A&E contracts shrank by 4%, from 6,737 to 6,440. As a result, the CBC share of A&E contracts grew from 14% to almost 20%. Table 3.1 documents this trend. The peak of 7,455 A&E contracts in FY93 may be related to a similar peak in Construction contracts around that time. The number and share of CBC contracts has climbed steadily since then. **Bundled Contract Rating : 1 (High).**

**Table C.1: Trends in Architectural Services CBCs
FY91-95.**

FY	CBCs	CONTRACTS	CBC PCNT
91	962	6737	14.3
92	876	7097	12.3
93	916	7455	12.3
94	1017	7055	14.4
95	1263	6440	19.6

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

Table C.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	6944	19997	2.88
92	7328	22558	3.08
93	7704	23835	3.09
94	7351	26571	3.61
95	6710	24463	3.65

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

Confirming the growth in CBCs and their share of all A&E contracts, we see in Table 3.2 that the APC ratio has climbed 25%, from 2.88 in FY91 to 3.65 in FY95. The APC has climbed each year. **Bundled Contract Rating : 1 (High).**

4) Overall Trends in Small vs. Large Contracts

The large contract share of all A&E contracts grew from less than one in two in FY91 to nearly two out of every three by FY95. This represents a dramatic reversal in the government's reliance on small A&E contracts. The trend is clearly toward large, multi-task A&E awards. The number of small contracts valued \$100,000 or less dropped 38%, from 3,904 to 2,438 over the FY91-95 period. This led to a 20 percentage point decline in their share of the A&E contract total, from 57.9% to 37.9%, or a 35% share decline. **Bundled Contract Rating: 1 (High).**

Table C.3: Overall Trends in Large (L) And Small (S) Contracts In The Architectural Services Sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	2833	6737	42.1
	S	3904	6737	57.9
92	L	3362	7097	47.4
	S	3735	7097	52.6
93	L	4045	7455	54.3
	S	3410	7455	45.7
94	L	4142	7055	58.7
	S	2913	7055	41.3
95	L	4002	6440	62.1
	S	2438	6440	37.9

Large contracts are valued greater than \$100,000.

Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

Table C.4: Trends in Large (L) And Small (S) Contracts For Small Businesses In The Architectural Services Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	1284	4084	31.4
	S	2800	4084	68.6
92	L	1497	4265	35.1
	S	2768	4265	64.9
93	L	1729	4164	41.5
	S	2435	4164	58.5
94	L	1762	3874	45.5
	S	2112	3874	54.5
95	L	1699	3420	49.7
	S	1721	3420	50.3

The small vs. large contract trend for small A&E businesses is nearly as dramatic a reversal as for the whole A&E sector. As Table 3.4 demonstrates, two out of every three A&E small business contracts was under \$100,000 in FY91. By FY95, the small contract ratio was down to one out of every two, with a corresponding rise in the share of large contracts. **Bundled Contract Rating: 1.**

6) Contract and Dollar Trends by Business Type

When we break down the A&E dollar and contract trends by the three main types of business, we again see OSBs lagging behind 8(a)/SDBs and LBs. OSB A&E contract totals are down 24% FY91-95, while 8(a)/SDBs are up 12% and large businesses are up 20%. Similarly, OSB A&E revenues are down 16%, while 8(a)/SDB and large business revenues are up 69% and 28% respectively.

Average A&E contract values are up for all business categories over the FY91-FY95 time frame. This is further evidence of contract consolidation in the A&E sector, especially in view of the fact that contract counts and dollars are down for OSBs. Peaks in FY92 may be the result of extensive military base consolidation. Despite the rising average contract values across all business categories, we nonetheless treat the OSB and LB figures as negatives for small business. OSB contract counts and total revenues are down, and growth in LB figures mean lost opportunities for small business. **Harm to small business rating: .66 (Moderate-High).**

Table C.5: Trends In Contract Counts, Total Revenues and Average Contract Size By Type Of Business In The Architectural Services Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	679	110388	162.6
	OSB	3543	523364	147.7
	LARGE	2521	2276398	903.0
92	8(a)/SDB	719	138428	192.5
	OSB	3650	454435	124.5
	LARGE	2685	3079220	1146.8
93	8(a)/SDB	811	146163	180.2
	OSB	3430	477736	139.3
	LARGE	3145	2677122	851.2
94	8(a)/SDB	810	164419	203.0
	OSB	3115	500026	160.5
	LARGE	3244	2910351	897.1
95	8(a)/SDB	761	175284	230.3
	OSB	2698	439965	163.1
	LARGE	3022	2908706	962.5

7) Small vs. Large Business Trends in CBCs

Over the FY91-FY95 period, the CBC share of contracts for 8(a)/SDBs and LBs rose significantly while CBC share fell for OSBs. The number of CBCs awarded to large firms grew

71% between FY91-95 and their CBC share nearly doubled, from 7.3% to 13%. Simultaneously, 8(a)/SDB firms grew their CBC share by four tenths of a percent, or 23%. OSB CBC share declined by three-tenths of a percent, from 6.1% to 5.8%.

These figures indicate that bundling is becoming a growing phenomena across the A&E market, but that within the OSB category of business it has deminished slightly in importance. It appears that 8(a)/SDBs and LBs are taking business away from OSBs, and one of the means through which this is accomplished is bundled contracts. **Harm to small business rating: .66 (Moderate-High).**

Table C.6: Trends In CBCs by Type of Business in the Architectural Services sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	114	6737	1.7
	OSB	410	6737	6.1
	LARGE	489	6737	7.3
92	8(a)/SDB	113	7097	1.6
	OSB	316	7097	4.5
	LARGE	496	7097	7.0
93	8(a)/SDB	93	7455	1.2
	OSB	293	7455	3.9
	LARGE	579	7455	7.8
94	8(a)/SDB	103	7055	1.5
	OSB	326	7055	4.6
	LARGE	683	7055	9.7
95	8(a)/SDB	134	6440	2.1
	OSB	371	6440	5.8
	LARGE	837	6440	13.0

8) Trends In Counts of Business Types

Table C.7: Trends In Architectural Services Companies by Type of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	440	3952	11.1
	OSB	2467	3952	62.4
	LARGE	1284	3952	32.5
92	8(a)/SDB	506	4769	10.6
	OSB	2770	4769	58.1
	LARGE	1711	4769	35.9
93	8(a)/SDB	604	5065	11.9
	OSB	2702	5065	53.3
	LARGE	2027	5065	40.0
94	8(a)/SDB	503	3846	13.1
	OSB	2015	3846	52.4
	LARGE	1618	3846	42.1
95	8(a)/SDB	488	3687	13.2
	OSB	1870	3687	50.7
	LARGE	1511	3687	41.0

Market participation by small businesses in the A&E sector is down overall. OSBs, the largest business category, accounted for 56% of all A&E firms in FY91, but only 45% in FY95. 8(a)/SDBs were up only slightly, from 10% to 11.7%. The biggest jump is in the large business category, which accounted for 36% of all participating companies in FY95, up from 29% in FY91. **Harm to small business rating: .66 (Moderate-High).**

9) *Small vs. Large Business Trends in Large Contracts (over \$100,000)*

Counts of large contracts valued more than \$100,000 are up in all major business categories in the A&E sector. The increase in each category's large contract share of A&E awards ranges from 15.4 percentage points in the LB category to 20.3 percentage points in the 8(a) category. The large contract share of OSB A&E awards grew 17.4 percentage points. Because the overall OSB contract count is down and because LB increases mean lost business for small firms, we count these two factors as negatives. **Harm to small business rating: .66 (Moderate-High).**

Table C.8: Trends In Counts Of Large Contracts By Type of Business In The Architectural Services Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	238	662	36.0
	OSB	1060	3450	30.7
	LARGE	1476	2433	60.7
92	8(a)/SDB	308	709	43.0
	OSB	1205	3580	33.7
	LARGE	1777	2635	67.4
93	8(a)/SDB	366	805	45.5
	OSB	1378	3378	40.8
	LARGE	2214	3107	71.3
94	8(a)/SDB	398	808	49.3
	OSB	1381	3093	44.6
	LARGE	2362	3218	74.0
95	8(a)/SDB	426	757	56.3
	OSB	1289	2682	48.1
	LARGE	2290	3010	76.1

10) *Ratio of New, Small Businesses Entering the Federal Marketplace*

Since FY92, the number of new, small businesses entering the A&E market has declined 50%, from 1,766 to 877. New small businesses represented only 38.6% of all small businesses in FY95, down from 55.4% in FY92, a total share decline of 30%. **Harm to small business rating: 1 (High).**

Table C.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Architectural Services Sector.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
1766	55.4	1840	57.4	996	41.2	877	38.6

11) Market Summary

The Architecture and Engineering sector shows strong signs of contract consolidation and strong signs it is having negative impacts on small businesses. The patterns and conclusions for A&E are similar to conclusions for the Ship Repair sector. The number and share of CBCs is growing, as are actions per contract. There is significant growth in large contract shares, both for overall contract totals and for totals of contracts broken out by business type.

The growth of 8(a)/SDB and LB dollars, companies and contracts, along with their increasing percentages of CBC contracts demonstrates that as contract consolidation is occurring, OSBs are being squeezed from above and below. **Combined Bundled Contract/Small Business Impact Rating: 7.64.**

D. Refuse Services (Collection, Waste Treatment & Storage) (PSCs S205,S222)

1) General Trends

At \$205 million in FY95, spending in the Refuse Services market was up 42% from FY91 levels, but down from a \$262 million peak in FY93. The five-year overall increase is mainly a result of a 200% increase in awards to large businesses, which saw their Refuse Services contract revenues grow from \$23.9 million to \$71.4 million from FY91 to FY95. Both 8(a)/SDB and OSB revenues grew slightly over the same period, but both categories were down in the latest fiscal year. OSB contract revenues dropped 9.2% FY94-95 and 8(a)/SDB revenues fell 3.2%.

The number of Refuse Services contracts declined slightly over the study period, from 1,359 in FY91 to 1,250 in FY95, an 8% decrease. This is entirely attributable to the 25% decline in OSB Refuse Services contracts, which fell from 857 in FY91 to 646 in FY95. Contracts to 8(a)/SDBs increased by a total of six over the period, from 129 to 135, and LBs jumped from 273 to 341, a 20% gain.

Overall, the number of participating business units in the Refuse Services sector declined 5%, from 957 to 909. As with contract counts, the decline in the number of companies is attributable to the drop in OSBs. Their numbers fell dramatically, from 621 in FY91 to 497 in FY95, or 20%. 8(a)/SDBs jumped from 86 to 99, a 15% gain, and LBs grew 26%, up to 258 in FY95 from their FY91 total of 205.

Increasing Refuse Services contract revenues combined with declining numbers of contracts led to significant growth in the value of an average contract. In FY91, the average Refuse Services contract was valued at \$106,169. By FY95, that figure had grown to \$164,290, for a five-year increase of 54.7%. Clearly, contract consolidation is occurring in Refuse Services.

2) CBC Trends

As shown in Table 4.1, the number of Refuse Services CBCs fell 50% between FY91 and FY95. There is a slight increase between FY93 and FY94, but the downward trend continues with figures from the latest fiscal year. The overall number of contracts has declined at a slightly faster

rate over the last two years, leading to the 19% CBC share increase between FY93 and FY95. The 1.9% FY95 CBC share of all Refuse Services contracts still below the 3.4% share in FY91, but the trend is definitely upward in recent years. **Bundled Contract Rating: .5 (Moderate).**

**Table D.1: Trends in Refuse Services
CBCs FY91-95.**

FY	CBCs	CONTRACTS	CBC PCNT
91	48	1339	3.4
92	35	1435	2.4
93	24	1541	1.6
94	27	1575	1.7
95	23	1206	1.9

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

The 2.22 APC ratio in Refuse Services for FY95 is up 29% over FY91 levels but down slightly from a peak of 2.3 in FY94. The APC level grew steadily year by year from FY91 to FY94, raising some questions about the CBC share drop from FY91 to FY93 shown in the previous table.

Bundled Contract Rating: .5 (Moderate).

Table D.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	1359	2340	1.72
92	1459	2754	1.89
93	1582	3052	1.93
94	1629	3743	2.3
95	1250	2781	2.22

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

The large contract share of all Refuse Services contracts is up moderately over the FY91-FY95 period, from 23.7% to 29.8%, or 26% total growth. Small contract share fell 6.1 percentage points, or 8%. Fluctuations in large and small contract shares over the five years make distinguishing a clear trend difficult. **Bundled Contract Rating: .5 (Moderate).**

Table D.3: Overall Trends In Large (L) And Small (S) Contracts In The Refuse Services Sector

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	318	1339	23.7
	S	1021	1339	76.3
92	L	371	1435	25.9
	S	1064	1435	74.1
93	L	411	1541	26.7
	S	1130	1541	73.3
94	L	377	1575	23.9
	S	1198	1575	76.1
95	L	359	1206	29.8
	S	847	1206	70.2

Large contracts are valued greater than \$100,000.

Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

The overall trend toward larger Refuse Services contracts is mirrored closely by small businesses. In FY91, 21.4% of all contracts awarded to small businesses were over \$100,000. By FY95 the figure had risen to 27.6%, a 29% growth. Small contract share fell 7.8%. Table 4.4 documents the trend. **Bundled Contract Rating: .5 (Moderate).**

Table D.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The Refuse Services Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	207	968	21.4
	S	761	968	78.6
92	L	230	966	23.8
	S	736	966	76.2
93	L	251	1019	24.6
	S	768	1019	75.4
94	L	227	1038	21.9
	S	811	1038	78.1
95	L	212	769	27.6
	S	557	769	72.4

6) Contract and Dollar Trends by Business Type

As Refuse Services spending grew dollars per contract increased -- dramatically in the case of large businesses. As documented in Table 4.5, 8(a)/SDB average contract value was virtually unchanged between FY91 and FY95, but OSB contract values grew 34% and LB values soared 139%. Given the modest increase in OSB spending in this sector, the increase in OSB average contract value is mainly the result of the shrinking number of contracts. However numbers of contracts and spending increased for both 8(a)/SDBs and for LBs, indicating OSBs are being left behind as contract consolidation proceeds in the Refuse Services sector. **Harm to small business rating: .66 (Moderate-High).**

Table D.5: Trends in Contract Counts, Total Revenues and Average Contract Size By Type Of Business In The Refuse Services Sector.

FY	BUS TYPE	CONTRACTS	\$(000)	AVG(\$000)
91	8(a)/SDB	129	24678	191.3
	OSB	857	66901	78.1
	LARGE	273	23866	87.4
92	8(a)/SDB	149	27144	182.2
	OSB	829	64765	78.1
	LARGE	341	40614	119.1
93	8(a)/SDB	153	45122	294.9
	OSB	878	73806	84.1
	LARGE	420	113653	270.6
94	8(a)/SDB	134	26856	200.4
	OSB	926	74577	80.6
	LARGE	441	57746	130.9
95	8(a)/SDB	135	25972	192.4
	OSB	646	67646	104.7
	LARGE	341	71366	209.3

7) Small vs. Large Business Trends in CBCs

CBC shares of Refuse Services contracts are down in every business category between FY91 and FY95, confirming overall trends. As shown in Table 4.6, these trends are borne out in breakouts by business type. The 8(a)/SDB category has been level at .1% for the last four fiscal years, and the CBC share of OSB contracts is down 66%, with a slight increase between FY94 and FY95. The CBC share of Refuse Services contracts to LBs has been relatively steady, declining only .2 percentage points overall, with a .2 percentage point increase in the latest fiscal year. **Harm to small business rating: 0 (Low).**

Table D.6: Trends In CBCs By Type of Business In The Refuse Services Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	7	1339	0.5
	OSB	28	1339	2.1
	LARGE	17	1339	1.3
92	8(a)/SDB	2	1435	0.1
	OSB	22	1435	1.5
	LARGE	14	1435	1.0
93	8(a)/SDB	2	1541	0.1
	OSB	9	1541	0.6
	LARGE	15	1541	1.0
94	8(a)/SDB	2	1575	0.1
	OSB	9	1575	0.6
	LARGE	14	1575	0.9
95	8(a)/SDB	1	1206	0.1
	OSB	9	1206	0.7
	LARGE	13	1206	1.1

8) Trends In Counts of Business Types

The OSB category is the only major Refuse Services business type to suffer a drop in participating business units from FY91 to FY95. The share of all businesses represented by OSBs declined 16%, from 62% to 52%, while 8(a)/SDBs grew 21% and LBs grew 32%. In terms of absolute numbers, OSBs declined by 39% while 8(a)/SDBs grew 13% and LBs grew by 26%. Both the OSB share decline and the LB share increase are treated as negatives for small business. **Harm to small business rating: .66 (Moderate-High).**

Table D.7: Trends In Counts of Refuse Services Companies By Type of Business

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	86	957	9.0
	OSB	621	957	64.9
	LARGE	205	957	21.4
92	8(a)/SDB	106	1080	9.8
	OSB	638	1080	59.1
	LARGE	262	1080	24.3
93	8(a)/SDB	113	1256	9.0
	OSB	725	1256	57.7
	LARGE	345	1256	27.5
94	8(a)/SDB	86	1146	7.7
	OSB	662	1146	59.5
	LARGE	330	1146	28.8
95	8(a)/SDB	99	909	10.9
	OSB	497	909	54.7
	LARGE	258	909	28.4

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

All major business categories show five-year growth in the share of their contracts that are worth more than \$100,000, although for all business categories the trend has been up and down. As

Table D.8: Trends In Counts Of Large Contracts By Type of Business In The Refuse Services Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	46	129	35.7
	OSB	163	842	19.4
	LARGE	54	269	20.1
92	8(a)/SDB	58	148	39.2
	OSB	173	821	21.1
	LARGE	78	336	23.2
93	8(a)/SDB	71	152	46.7
	OSB	180	868	20.7
	LARGE	109	418	26.1
94	8(a)/SDB	58	133	43.6
	OSB	171	909	18.8
	LARGE	100	437	22.9
95	8(a)/SDB	57	134	42.5
	OSB	157	638	24.6
	LARGE	99	338	29.3

Table 4.8 depicts, LBs showed the largest growth in large contract share, jumping 46% from 20.1% to 29.3%. OSBs grew their share 27%, and 8(a)/SDBs grew theirs by 19%. Surprisingly, the 8(a)/SDB large contract share has declined for the last three fiscal years, and the OSB share declined for two years prior to the jump in FY95. The LB large contract share was down in FY94 before jumping 20% in the last year. Given the decline in OSB total contracts, the large contract share growth is treated as a negative. LB large contract share growth represents potential lost opportunities for small businesses and is also treated as a negative. **Harm to small business rating: .66 (Moderate-High).**

10) Ratio of New, Small Businesses Entering the Federal Marketplace

The ratio of new, small businesses entering the Refuse Services market each year has declined markedly since FY92, falling a total of 32% over four years. The drop is even more dramatic when measured from the FY93 peak of 68%. As Table 4.9 demonstrates, the new, small business ratio is at its smallest in four years after two straight years of declines. **Harm to small business rating: 1 (High).**

Table D.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Refuse Services Sector.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
428	58.8	563	68.2	433	57.3	231	39.8

11) Market Summary

The Refuse Services market shows moderate signs of bundling and signs of bundling having negative impacts on small businesses. As in previously discussed markets, overall spending in Refuse Services is up over five years and the number of small companies and contracts awarded to small companies is down, particularly in the OSB category. Actions per contract, average contract value and the number of large contracts are all up, and the number of small contracts is down.

CBC contracts and CBC spending, however, are down over five years, with only a slight increase in CBC contract share showing up in the OSB category over the last year. The presence of other, significant trends toward contract consolidation (declining numbers of small businesses and contracts, increasing APC, increasing average contract value) suggest that other trends may be influencing the increasingly difficult role of OSBs in Refuse Services. **Combined Bundled Contract/Small Business Impact Rating: 4.98.**

E. Facilities Maintenance (PSC S216, SIC 8744)

1) General Trends

There has been a slow, steady increase in spending in the Facilities Maintenance market. Over the last five years, sector spending rose from \$7.5 billion to \$8.1 billion, for a total growth of

7.5%. After dropping slightly between FY93 and FY94, spending increased in FY95 to its current peak. Percentage increases from FY91 to FY95 vary widely over the major business categories, mainly to the benefit of small businesses. 8(a)/SDBs rose from \$337 million to \$414 million, or 21%. OSBs increased from \$163 million to \$244 million, or 49%. LBs grew from \$6.357 billion to \$6.688 billion, or 5.2%.

The number of participating companies is up overall and in all major business categories. The FY95 count of active companies in this market was 984, a 32% increase over FY91. Counts of 8(a)/SDBs were up 90% (from 221 to 420). OSB numbers grew 28% (from 301 to 384) and LBs grew 26%, from 350 to 442.

Between FY91 and FY95 the number of contracts grew significantly more than total sector spending. The sector's contract count increased from 1,085 to 1,410, or 30%. This led to a decrease in average contract value from \$6.896 million to \$5.705 million, a 17% drop. Overall figures for the Facilities Maintenance market do not suggest that a significant degree of contract consolidation is occurring.

2) CBC Trends

CBC figures do pick up a trend toward increased contract consolidation. The count of CBCs is up from 55 in FY91 to 80 in FY95, an increase of 44%. This represents 6% of this sector's contracts in FY95, up from 5.4% five years ago. Most of the increase occurred recently, between FY94 and FY95, at a time when we would expect to see accelerating contract consolidation. However the drop from FY91 to FY92, followed by a three-year plateau leading up to the FY95 peak also suggests figures for this category do fluctuate. **Bundled Contract Rating: 1 (High).**

**Table E.1: Trends in Facilities Maintenance CBCs
FY91-95.**

FY	CBCs	CONTRACTS	-CBC PCNT
91	55	1024	5.4
92	51	1156	4.4
93	60	1259	4.8
94	56	1269	4.4
95	80	1343	6.0

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

At 4.13 in FY95, the APC for the Facilities Maintenance sector is up 7.5% over the 3.84 level of FY91. Still, there has been a 5% decline in the latest fiscal year. These figures suggest a modest trend toward contract consolidation over time, but the drop in last year's ratio indicates we should expect some fluctuation in these figures. **Bundled Contract Rating: .5 (Moderate).**

Table E.2: Trends In Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	1085	4166	3.84
92	1219	4758	3.9
93	1318	5119	3.88
94	1320	5769	4.37
95	1410	5818	4.13

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

The overall share of large contracts in the Facilities Maintenance sector is almost unchanged over five years, but at 75.5% in FY95, the large contract share is among the highest of the markets studied. From FY91 to FY95, however, the large contract share grew less than one percent, from 75% to 75.5%. We assign moderate significance to this trend mainly because of the high percentage of all contracts represented by large awards. However, the five-year trend seems stable and does not appear to be growing significantly. **Bundled Contract Rating: .5 (Moderate).**

Table E.3: Overall Trends In Large (L) And Small (S) Contracts In The Facilities Maintenance Sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	768	1024	75.0
	S	256	1024	25.0
92	L	890	1156	77.0
	S	266	1156	23.0
93	L	970	1259	77.0
	S	289	1259	23.0
94	L	1006	1269	79.3
	S	263	1269	20.7
95	L	1014	1343	75.5
	S	329	1343	24.5

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

As with the overall sector figures for small versus large contracts, small businesses have received a fairly steady percentage of large and small contracts over the last five years. The large contract share has risen slightly, from 68.5% to 70.4%, or 2.7%. This suggests a moderate trend toward contract consolidation. **Bundled Contract Rating: .5 (Moderate).**

**Table E.4: Trends In Large (L) And Small (S)
Contracts For Small Businesses In The
Facilities Maintenance Sector.**

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	345	504	68.5
	S	159	504	31.5
92	L	399	575	69.4
	S	176	575	30.6
93	L	458	666	68.8
	S	208	666	31.2
94	L	518	695	74.5
	S	177	695	25.5
95	L	556	790	70.4
	S	234	790	29.6

6) Contract and Dollar Trends by Business Type

Two out of the three largest business categories show declines in the average annual worth of a Facilities Maintenance contract, despite increased spending in each business category. 8(a)/SDB average contract value plummeted 35%. LBs saw their average contract value drop 17%. Only OSBs grew their contract size, from \$543,000 to \$636,000, or 17%. Smaller average contract values suggest greater competition between companies rather than consolidation, particularly in view of the higher overall levels of spending. **Harm to Small Business Rating: .33 (Moderate-Low).**

**Table E.5: Trends In Contract Counts, Total Revenues And
Average Contract Size By Type Of Business In The Facilities
Maintenance Sector.**

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	221	337311	1526.3
	OSB	301	163652	543.7
	LARGE	350	6357354	18163.9
92	8(a)/SDB	240	308053	1283.6
	OSB	350	186708	533.5
	LARGE	395	6819553	17264.7
93	8(a)/SDB	298	318558	1069.0
	OSB	377	170238	451.6
	LARGE	433	6913198	15965.8
94	8(a)/SDB	320	354896	1109.1
	OSB	390	250345	641.9
	LARGE	449	6695397	14911.8
95	8(a)/SDB	420	414825	987.7
	OSB	384	244146	635.8
	LARGE	442	6688046	15131.3

7) Small vs. Large Business Trends in CBCs

CBC ratios depicted in Table 5.6 show significant growth in each business category over the FY91-95 time frame. Both 8(a)s and SDBs saw the CBC share of their Facilities Maintenance contracts grow 36%. LBs grew their CBC share by 10%, with a particularly large jump between FY94 and FY95. Figures in this table stand out from other tables for the strength with which they indicate consolidation may be occurring. They confirm the overall trend depicted in Figure 5.1, but show no significant harm to small businesses relative to other business categories. To the extent harm is being done, it would likely occur within an individual business category, where larger contracts are being concentrated in the hands of the larger firms at the expense of the smaller ones. **Harm to Small Business Rating: 1 (High).**

Table E.6: Trends In CBCs By Type Of Business In The Facilities Maintenance Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	11	1024	1.1
	OSB	11	1024	1.1
	LARGE	30	1024	2.9
92	8(a)/SDB	8	1156	0.7
	OSB	12	1156	1.0
	LARGE	31	1156	2.7
93	8(a)/SDB	7	1259	0.6
	OSB	15	1259	1.2
	LARGE	38	1259	3.0
94	8(a)/SDB	10	1269	0.8
	OSB	18	1269	1.4
	LARGE	27	1269	2.1
95	8(a)/SDB	20	1343	1.5
	OSB	20	1343	1.5
	LARGE	43	1343	3.2

8) Trends In Counts of Business Types

The 8(a)/SDB share of all companies in Facilities Maintenance has soared 55%, from 19.4% to 30.0%, between FY91 and FY95. This has come to some degree at the expense OSBs, which saw their share of Facilities Maintenance companies decline from 33.2% to 30.2%. In FY91 there were 103 fewer 8(a)/SDB companies than OSBs; but by FY95 the difference was down to two. LB share grew slightly, from 29.0% to 29.3%, making OSB the only major business category to lose ground. **Harm to Small Business Rating: .66 (Moderate-High).**

Table E.7: Trends In Counts of Facilities Maintenance Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	145	747	19.4
	OSB	248	747	33.2
	LARGE	217	747	29.0
92	8(a)/SDB	184	886	20.9
	OSB	298	886	33.6
	LARGE	267	886	30.1
93	8(a)/SDB	254	1161	21.9
	OSB	354	1161	30.5
	LARGE	388	1161	33.4
94	8(a)/SDB	227	901	26.2
	OSB	283	901	31.4
	LARGE	286	901	31.7
95	8(a)/SDB	295	984	30.0
	OSB	297	984	30.2
	LARGE	288	984	29.3

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

No significant trends in large Facilities Maintenance contracts appear when statistics are broken down by business category. All business types show relatively stable percentages of large contracts over the FY91-FY95 time frame. If anything, there have been slight, recent declines in large contracts awarded to small businesses, confirming trends toward greater competition cited earlier with the average contract figures. **Harm to Small Business Rating: 0 (Low).**

Table E.8: Trends In Counts Of Large Contracts By Type Of Business In The Facilities Maintenance Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	171	211	81.0
	OSB	175	294	59.5
	LARGE	289	332	87.0
92	8(a)/SDB	189	237	79.7
	OSB	211	339	62.2
	LARGE	343	376	91.2
93	8(a)/SDB	227	296	76.7
	OSB	235	374	62.8
	LARGE	371	416	89.2
94	8(a)/SDB	265	313	84.7
	OSB	257	386	66.6
	LARGE	394	440	89.5
95	8(a)/SDB	331	416	79.6
	OSB	233	382	61.0
	LARGE	381	433	88.0

10) Ratio of New, Small Businesses Entering the Federal Marketplace

The ratio of new, small businesses entering the Facilities Maintenance market has declined 18% between FY91 and FY95. FY93 figures can probably be ignored, as DUNS number counts rose while the government switched over to CEC numbers and duplicate DUNS numbers appeared throughout the database. This is another modest indication that consolidation may be occurring in this sector. Overall, the number of new, small businesses is increasing, but fewer of them are new. In Facilities Maintenance dollars going up, incumbents appear to be receiving the bulk of the growth in spending. **Harm to Small Business Rating: 1 (High).**

Table E.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Facilities Maintenance Market.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
240	50.4	355	59.5	228	45.8	238	41.2

11) Market Summary

The Facilities Maintenance market shows moderate signs of contract consolidation. The strongest indications are the growth in the sector's CBC contract ratios. Actions per contract are up slightly over five years, indicating more work is being run through existing contract vehicles. Some consolidation appears to be occurring to the OSB sector, which has seen its share of Facilities Maintenance dollars drop two percentage points while the 8(a)/SDB and LB sectors grew. The rate of new, small business formation in the federal marketplace has dropped 18% over the last four years, a further indication that incumbency plays a growing role for small businesses in winning Facilities Maintenance contracts.

Statistics arguing against consolidation in this market include declining average contract size and the relatively stable small versus large contract percentages both overall and across all business categories. These figures and the relatively modest trends toward consolidation just cited indicate that if consolidation is occurring, it is not as dramatic as in the four previous sectors analyzed (Construction, Ship Repair, Architecture & Engineering and Refuse Services). Consolidation, to the extent it is occurring, may be harming the smaller firms in each business category. **Combined Bundled Contract/Small Business Impact Rating: 4.49.**

12) Housekeeping Services (FS Group S2)

1) General Trends

Spending in the Housekeeping Services market has been relatively steady over the FY91-FY95 period. There has been a slight 8.8% overall increase, which barely keeps up with inflation. There have been two straight years of declines since the peak year of FY93, when the government spent \$2.9 billion. Since then, Housekeeping Services spending has declined 4.7%. The 8(a)/SDB and LB business categories both experienced overall growth, while OSB dollars declined. Over the

FY91-95 time period, 8(a)/SDB contract dollars grew 5.5%, LB dollars grew 16% and OSB dollars dropped 10%.

The number of 8(a)/SDBs and LBs also grew as OSB company counts fell. Between FY91 and FY95, 8(a)/SDBs grew in number from 790 to 875, or 10.7%. LBs rose from 447 to 545, or 22% and OSBs fell 10.6%, from 1,967 to 1,758.

Overall contract counts grew slightly, but OSBs saw a dramatic decline over the five years, again as the 8(a)/SDB and LB sectors rose. OSB contract numbers fell 14%, from 3,078 to 2,648. 8(a)/SDB contracts rose in number from 1,663 to 1,829, or 10%, and LB contract counts rose 1%.

The average Housekeeping Services contract was worth \$434,600 in FY95. This is 5.7% more than the \$411,000 average contract value in FY91. Rising sector spending and rising contract values amid drops in OSB counts of dollars, companies and contracts suggests small business contracts are being consolidated in the Housekeeping Services sector.

2) CBC Trends

CBCs in the Housekeeping Services sector are up slightly between FY94 and FY95, but down over the five-year period of the study. Absolute numbers of CBCs declined FY91-95 as total numbers of contracts rose, leading to a 36% drop in the CBC share of all Housekeeping contracts.

Numbers of Housekeeping contracts were in steady decline for four years until the 8.2% rise FY94-95. This may presage a long-term trend toward increased usage of CBCs in this sector, but two or three more years of data will be necessary before firmer conclusions can be drawn. **Bundled Contract Rating: .5 (Moderate).**

Table F.1: Trends in Housekeeping Services CBCs

FY	CBCs	CONTRACTS	CBC PCNT
91	182	6081	3.0
92	171	6622	2.6
93	147	6698	2.2
94	109	6494	1.7
95	118	6218	1.9

FY91-95. Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

After four straight years of increases from FY91 to FY94, the APC in the Housekeeping Services sector was up 5.9%, but a small decrease between FY94 and FY95 led to a net 5-year growth of 4.9%. This is a slower trend toward consolidation than in the Ship Repair industry, for example, where the APC grew 47% in five years. Given the small decline in APC over the last year, another two-three years of data will be needed to draw firm conclusions about APC trends.

Bundled Contract Rating: .5 (Moderate).

Table F.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	6208	12588	2.03
92	6749	13795	2.04
93	6855	14174	2.07
94	6658	14313	2.15
95	6369	13544	2.13

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

The volume of large Housekeeping Services contract valued more than \$100,000 rose slightly from FY91 to FY95, from 2,988 to 3,039, increasing the large contract share of all Housekeeping Services contracts to 51% from 49%. Large contract share grew a total of 4%.

Bundled Contract Rating: .5 (Moderate).

Table F.3: Overall Trends in Large (L) And Small (S) Contracts In The Housekeeping Services Sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	2988	6081	49.1
	S	3093	6081	50.9
92	L	3450	6622	52.1
	S	3172	6622	47.9
93	L	3437	6698	51.3
	S	3261	6698	48.7
94	L	3303	6494	50.9
	S	3191	6494	49.1
95	L	3179	6218	51.1
	S	3039	6218	48.9

Large contracts are valued greater than \$100,000.

Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

As with the figures for small contracts overall, the large contract share of awards to small businesses has changed only slightly. Over the FY91-FY95 period, the number of large contracts grew by a total of two, from 2,081 to 2,083. The drop in total contracts led to a large contract share increase of 3.9%. An important, long-term trend to watch is the small business small contract count, which by FY95 had declined for three straight years despite overall dollar growth in the sector.

Bundled Contract Rating: .5 (Moderate).

**Table F.4: Trends In Large (L) And Small (S)
Contracts For Small Businesses In The
Housekeeping Services Sector.**

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	2081	4375	47.6
	S	2294	4375	52.4
92	L	2320	4565	50.8
	S	2245	4565	49.2
93	L	2316	4653	49.8
	S	2337	4653	50.2
94	L	2164	4436	48.8
	S	2272	4436	51.2
95	L	2083	4207	49.5
	S	2124	4207	50.5

6) Contract and Dollar Trends by Business Type

Average contract values in the Housekeeping Services sector show modest increases overall over the FY91-FY95 period. This is the result of contract value growth among OSBs and LBs. In a reversal of trends seen in previously discussed markets, 8(a)/SDBs saw contract values decline.

Contract value growth in the OSB category is a result of the number of OSB contracts falling faster than OSB dollars. For LBs, the number of contracts rose more slowly than total dollars. In the case of the 8(a)/SDBs, total contracts rose more quickly than total dollars, leading to the decline in contract value. This may be a sign of increased competition, not consolidation. **Harm To Small Business Rating: .33 (Moderate-Low).**

**Table F.5: Trends In Contract Counts, Total Revenues and
Average Contract Size By Type of Business In The
Housekeeping Services Sector.**

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	1642	763501	465.0
	OSB	2850	631796	221.7
	LARGE	660	578766	876.9
92	8(a)/SDB	1737	792845	456.4
	OSB	2896	646772	223.3
	LARGE	715	715542	1000.8
93	8(a)/SDB	1798	828314	460.7
	OSB	2904	654749	225.5
	LARGE	809	795075	982.8
94	8(a)/SDB	1690	766593	453.6
	OSB	2916	639092	227.0
	LARGE	785	768552	979.0
95	8(a)/SDB	1785	805382	451.2
	OSB	2475	568003	229.5
	LARGE	743	671759	904.1

7) Small vs. Large Business Trends in CBCs

The number of CBCs and their share of all Housekeeping Services contracts declined for every major business category in Housekeeping Services during the FY91-95 period. This confirms that the CBC decline observed earlier in the overall Housekeeping totals was fairly evenly distributed across all types of business. The most dramatic drop was in the OSB category, which saw its share of CBCs decline over 50%, from 1.3% to .6%. 8(a)/SDB and OSB CBC shares were both down about 25%. **Harm To Small Business Rating: 0 (Low).**

Table F.6: Trends In CBCs By Type Of Business In The Housekeeping Services Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	50	6081	0.8
	OSB	80	6081	1.3
	LARGE	44	6081	0.7
92	8(a)/SDB	48	6622	0.7
	OSB	68	6622	1.0
	LARGE	38	6622	0.6
93	8(a)/SDB	48	6698	0.7
	OSB	44	6698	0.7
	LARGE	35	6698	0.5
94	8(a)/SDB	30	6494	0.5
	OSB	45	6494	0.7
	LARGE	20	6494	0.3
95	8(a)/SDB	39	6218	0.6
	OSB	40	6218	0.6
	LARGE	28	6218	0.5

8) Trends In Counts of Business Types

Table F.7: Trends In Counts of Housekeeping Services Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	790	3719	21.2
	OSB	1967	3719	52.9
	LARGE	447	3719	12.0
92	8(a)/SDB	937	4431	21.1
	OSB	2148	4431	48.5
	LARGE	552	4431	12.5
93	8(a)/SDB	1118	4908	22.8
	OSB	2346	4908	47.8
	LARGE	687	4908	14.0
94	8(a)/SDB	835	4037	20.7
	OSB	1963	4037	48.6
	LARGE	582	4037	14.4
95	8(a)/SDB	875	3870	22.6
	OSB	1758	3870	45.4
	LARGE	545	3870	14.1

The number of OSBs is down and the number of 8(a)/SDBs and LBs is up over the five years. The 14% OSB share decline, from 50.4% to 43.3% is significant in view of the fact that the number of companies in this sector has grown overall. The growth in the share of 8(a)/SDB firms is slight, from 20.3% to 21.6%, a much more modest growth than in other sectors. The LB share growth of 6.5% over the five-year period of the study, from 11.5% to 13.4%, indicates that the increasing presence of large firms in Housekeeping Services probably came at the expense of OSBs. **Harm To Small Business Rating: .66 (Moderate-High).**

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

The share of contracts held by each of the major business categories that were valued greater than \$100,000 held fairly steady over the five-year study period. The share of large contracts grew slightly for 8(a)/SDBs and shrank slightly for OSBs and LBs.

By FY95, two out of every three Housekeeping Services contracts for 8(a)/SDBs were large, up from 63.5% five years earlier. OSB large contract share fell from 38.6% to 37.4%, or .2%, and LB share declined 3.8%. The modest changes in large contract numbers for OSBs, when viewed in context of declining numbers of companies and a slightly rising APC suggests a gradual trend toward contract consolidation among small businesses. **Harm To Small Business Rating: .63 (Moderate-Low).**

Table F.8: Trends In Counts Of Large Contracts By Type Of Business In The Housekeeping Services Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	1018	1603	63.5
	OSB	1077	2790	38.6
	LARGE	299	647	46.2
92	8(a)/SDB	1173	1717	68.3
	OSB	1162	2868	40.5
	LARGE	308	704	43.8
93	8(a)/SDB	1217	1781	68.3
	OSB	1110	2887	38.4
	LARGE	370	801	46.2
94	8(a)/SDB	1142	1669	68.4
	OSB	1036	2788	37.2
	LARGE	329	778	42.3
95	8(a)/SDB	1178	1772	66.5
	OSB	918	2452	37.4
	LARGE	326	735	44.4

10) Ratio of New, Small Businesses Entering the Federal Marketplace

There has been a dramatic decline in the rate of new, small business entry into the Housekeeping Services sector. One out of two small businesses was new to federal contracting in FY92, but by FY95 the ratio of new, small businesses to the total number of small businesses had declined to had declined to 37.2%, a 25% share drop. The latest figures are the lowest percentages in four years. **Harm To Small Business Rating: 1 (High).**

Table F.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Housekeeping Services Sector.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
1480.0	49.6	1958.0	58.6	1325.0	49.2	948.0	37.2

11) Market Summary

The Housekeeping Services market shows mixed indications of contract consolidation. Overall dollar totals, counts of companies and counts of contracts are up, along with average contract value. CBC shares of overall numbers of contracts are down. Looking at aggregate statistics, it would appear the Housekeeping Services market is in decent shape.

But when you study trends in the major business categories, disturbing trends emerge relative to small business. Although overall spending is up slightly over the last five fiscal years, spending in the OSB sector is down 10%. Increased spending in the 8(a)/SDB and LB sectors account for most of the rise. Counts of businesses for OSBs are also down, again with growth in the 8(a)/SDB and LB sectors. Although overall contract counts are up 2.3%, the count of OSB contracts is down 14% between FY91 and FY95.

OSBs are experiencing the brunt of negative trends in Housekeeping Services, but it appears the cause is only partly attributable to contract bundling. Actions per contract are up slightly and the share of small contracts, both overall and for only small businesses, is down slightly. But the sector's CBC trends are down overall and down dramatically – over 50% -- for OSBs. New, small business formation in Housekeeping Services is also down significantly.

It appears from the evidence that a modest trend toward contract consolidation is underway in Housekeeping Services, but that negative trends affecting primarily OSBs have additional explanations. **Combined Bundled Contract/Small Business Impact Rating: 4.32.**

G. Food Services (PSC S203)

1) General Trends

Total spending in the Food Services market, a subset of Housekeeping Services, dropped 14% between FY91 and FY95, falling from \$360 million to \$309 million. Overall company counts were down 9.6% and contract counts were down 23%.

There has been a noticeable trend away from small business in Food Services, as 8(a)/SDB spending dropped 29% and OSB spending fell 15%, while large business contract dollars remained virtually unchanged. The biggest negative trends, however, show up in counts of companies and contracts. 8(a)/SDB firms dropped in number by 22%, from 109 to 85, and OSBs fell 29% to 44 from 62. Only LBs gained in number, from 13 to 17, or 31%. Similarly, 8(a)/SDB contract counts fell 27% to 170, and OSBs lost a total of 41% of their awards. Only LBs gained in numbers of contracts, growing their count to 21 from 17, or 23.5%.

Overall average contract value has grown from \$870,000 to \$970,000, or 11.5%, as the number of contracts issued annually has fallen faster than total spending. It would appear from the overall figures that conditions in the Food Service sector are ripe for contract bundling. How do the numbers play out?

2) CBC Trends

There has been significant growth in the CBC share of Food Services contracts. While absolute numbers of CBCs have fluctuated around the current total of 16, total contracts have fallen, leading to the .9 percentage point growth in CBC contract share, or 21% total share growth FY91-FY95. Contract consolidation apparently is occurring as the market declines. **Bundled Contract Rating: 1 (High).**

Table G.1: Trends in Food Services CBCs FY91-95.

FY	CBCs	CONTRACTS	CBC PCNT
91	17	404	4.2
92	17	390	4.4
93	18	369	4.9
94	11	356	3.1
95	16	315	5.1

Contract counts exclude contracts with negative or zero net dollar values.

c) Actions Per Contract (APC) Trends

Actions per contract are down 3.7% from FY91 to FY95. The Food Service APC drop is small, however, and the APC has actually risen steadily since FY93, even as the CBC trend dipped and rose. Between FY93 and FY95, the APC rose 6.6%. **Bundled Contract Rating: .5 (Moderate)**

Table G.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	414	1441	3.48
92	396	1284	3.24
93	375	1178	3.14
94	364	1145	3.15
95	319	1068	3.35

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

Large contracts have traditionally accounted for the lion's share of Food Service contracts, and between FY91 and FY95 that share grew even larger. The share of all contracts represented by awards worth more than \$100,000 grew 5.1% between FY91 and FY95. Large contracts and now

account for more than four out of five Food Service awards. We would expect LBs and the larger small businesses to be the main beneficiaries of this trend. **Bundled Contract Rating: 1 (High)**.

Table G.3: Overall Trends In Large (L) And Small (S) Contracts In The Food Services Sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	316	404	78.2
	S	88	404	21.8
92	L	315	390	80.8
	S	75	390	19.2
93	L	307	369	83.2
	S	62	369	16.8
94	L	291	356	81.7
	S	65	356	18.3
95	L	259	315	82.2
	S	56	315	17.8

Large contracts are valued greater than \$100,000.

Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

The growth in the large contract share of all small business awards was even greater than for small and large companies combined. Large Food Service contracts for small businesses grew 8.4% from FY91 to account for 86.8% of all small business awards by FY95. Very small Food Service companies may well be losing ground to larger small businesses in this sector, in addition to losing ground to large businesses. **Bundled Contract Rating: 1 (High)**

Table G.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The Food Services Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	273	341	80.1
	S	68	341	19.9
92	L	258	311	83.0
	S	53	311	17.0
93	L	252	300	84.0
	S	48	300	16.0
94	L	228	278	82.0
	S	50	278	18.0
95	L	204	235	86.8
	S	31	235	13.2

6) Contract and Dollar Trends by Business Type

If contract consolidation were occurring in the Food Service market we would expect to see some growth in average contract value. In fact, OSBs show a 43% growth in the value of an average contract, from \$804,000 in FY91 to \$1,152,000 in FY95, as contract counts plummeted 41%. This is the only business category demonstrating apparent signs of bundling. Average 8(a)/SDB contract

value fell 2.6%, and LB contract value dropped 16% over the same period. 8(a)/SDBs are the largest contract holders in this market by far, with 2.5 times the number of contracts held by OSBs and eight times the number held by LBs. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table G.5: Trends In Contract Counts, Total Revenues And Average Contract Size By Type of Business in the Food Services Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	233	217783	934.7
	OSB	116	93334	804.6
	LARGE	17	20967	1233.4
92	8(a)/SDB	229	196848	859.6
	OSB	85	84557	994.8
	LARGE	23	21371	929.2
93	8(a)/SDB	218	185369	850.3
	OSB	88	77377	879.3
	LARGE	26	25752	990.5
94	8(a)/SDB	196	177722	906.7
	OSB	87	80155	921.7
	LARGE	21	13626	648.9
95	8(a)/SDB	170	154849	910.9
	OSB	69	79488	1152.0
	LARGE	21	21077	1003.7

7) Small vs. Large Business Trends in CBCs

Both categories of small business show growth in CBCs as a share of all contracts, although the absolute numbers of contracts are fairly small. 8(a)/SDB CBC share grew from 2.2% in FY91 to 2.5% in FY95, and OSB share from 1.2% to 1.9%. The LB CBC share is quite small and falling.

Table G.6: Trends In CBCs By Type Of Business In The Food Services Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	9	404	2.2
	OSB	5	404	1.2
	LARGE	2	404	0.5
92	8(a)/SDB	10	390	2.6
	OSB	4	390	1.0
	LARGE	2	390	0.5
93	8(a)/SDB	11	369	3.0
	OSB	3	369	0.8
	LARGE	2	369	0.5
94	8(a)/SDB	6	356	1.7
	OSB	4	356	1.1
	LARGE			
95	8(a)/SDB	8	315	2.5
	OSB	6	315	1.9
	LARGE	1	315	0.3

The small size of the CBC contract counts in this sector have to do with the precise definition of Food Services (PSC=S203). Nonetheless, the data confirm the same trend toward consolidation observed with the Housekeeping Services market as a whole. **Harm To Small Business Rating: .66 (Moderate-High).**

8) Trends In Counts of Business Types

A growing share of the Food Service dollars are going to large firms. As previously cited, the Food Service market is dominated by 8(a)/SDBs, who represent over 40% of all Food Service companies. Yet their grip in the Food Service market is falling. In FY91, 8(a)/SDBs accounted for 48% of all firms, but by FY95 that share was only 41.9%, a 12.7% drop. OSBs lost 21% of their share over the five years, falling from 27.3% of all firms down to 21.7%. Only LBs grew, rising 2%, from 5.7% to 8.4%. **Harm To Small Business Rating: 1 (High).**

Table G.7: Trends In Counts Of Food Services Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	109	217	50.2
	OSB	62	217	28.6
	LARGE	13	217	6.0
92	8(a)/SDB	115	246	46.7
	OSB	65	246	26.4
	LARGE	19	246	7.7
93	8(a)/SDB	135	259	52.1
	OSB	71	259	27.4
	LARGE	24	259	9.3
94	8(a)/SDB	90	201	44.8
	OSB	51	201	25.4
	LARGE	16	201	8.0
95	8(a)/SDB	85	196	43.4
	OSB	44	196	22.4
	LARGE	17	196	8.7

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

Large contract shares of all contracts are up for the two small business categories but down for LBs. Over nine out of ten 8(a)/SDB Food Service contracts were large in FY95, up 5.8% from FY91 levels. OSBs saw their large contract share grow 10% over the five years, in line with expectations of contract bundling. Only LB large contract share fell significantly, although the 21 percentage point, five-year decline involved the net loss of one contract. **Harm To Small Business Rating: .66 (Moderate-High).**

Table G.8: Trends In Counts Of Large Contracts By Type Of Business In The Food Services Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	198	230	86.1
	OSB	75	111	67.6
	LARGE	11	16	68.8
92	8(a)/SDB	197	228	86.4
	OSB	62	84	73.8
	LARGE	15	22	68.2
93	8(a)/SDB	199	216	92.1
	OSB	54	86	62.8
	LARGE	18	26	69.2
94	8(a)/SDB	173	193	89.6
	OSB	55	65	64.7
	LARGE	13	21	61.9
95	8(a)/SDB	154	169	91.1
	OSB	50	67	74.6
	LARGE	10	21	47.6

10) Ratio of New, Small Businesses Entering the Federal Marketplace

The rate of new, small business entry into the Food Service dropped by a total of 32% between FY92 and FY95. The number of new small businesses fell by over 50% while the total number of small firms fell more slowly. When taken from the peak in FY93, the rate has fallen a total of 56%, a clear indication that barriers to entry into the Food Services market are growing for new, small firms. **Harm To Small Business Rating: 1 (High).**

Table G.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Food Services Sector.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
62	35.6	109	55.6	54	40.3	30	24.2

11) Market Summary

The evidence appears strong that contract bundling has occurred in the Food Service market over the last five fiscal years. Overall trends fit the profile of a market experiencing consolidation: total spending, numbers of companies and numbers of contracts are down, and the CBC share of contracts overall along with average contract value are up. Small businesses have been bearing the brunt of the negative trends. A slight decline in actions per contract is the only trend that goes against the overall trend.

Small businesses are bearing the brunt of dollar, company and contract declines. 8(a)/SDBs and OSBs have lost 12% and 21% respectively of their share of the count of Food Services vendors, while LBs have gained in number. Large contracts valued more than \$100,000 are consuming an ever larger percentage of small business awards. Furthermore, there has been a 32% drop over five years in the number of new, small Food Services vendors entering the market each year.

The federal government appears to be relying increasingly on incumbents in the Food Services sector. Incumbents appear to be receiving fewer but larger awards with increasingly diversified requirements. This appears to be having a negative effect on small businesses, which are declining in number as work becomes concentrated in the hands of fewer and larger firms.

Combined Bundled Contract/Small Business Impact Rating: 7.15 .

H. ADP Services (FS Group D)

1) General Trends

The ADP Services market shows robust growth over the FY91-FY95 period in total spending, numbers of participating companies and numbers of contracts issued. Total spending rose 92%, from \$3.6 billion in FY91 to \$7.0 billion in FY95. Numbers of participating firms grew 32.6%, from 1,810 to 2,401 and numbers of contracts grew 31.6%, from 3,311 to 4,359.

Overall trends are up for all major business categories as well. Small business revenues, including 8(a)/SDBs and OSBs, nearly doubled from \$1.1 billion to \$1.9 billion. Numbers of small businesses grew 42% and their contracts counts were up 44% from the FY91 level of 1,783 to 4,359 in FY95. Large business revenues were up 100% FY91-95, from \$2.4 billion to \$4.8 billion. Yet the number of participating LBs grew only 21% and their total number of contracts grew only 15%, leading to exceptional growth in average contract value.

Overall average contract value grew from \$1.1 million in FY91 to \$1.6 million in FY95, a 45% leap. For 8(a)/SDBs, the five-year growth in contract value was 18.6%; for OSBs, 31.4%; and for LBs, 75.7%.

In such a robust market, it is difficult to say that one category of business is being harmed at the expense of another. Yet, there are signs of increasing concentration in the ADP Services sector. For instance, in FY91, LBs accounted for 45% of the ADP Services companies and 66% of the dollars. By FY95, LBs represented 41% of the companies and 69% of the dollars. The growing LB dollar share combined with their shrinking share of participating companies can only mean more dollars are going into relatively fewer hands. Can this trend toward concentration in ADP Services be attributed to contract bundling?

2) CBC Trends

The number of CBC contracts in ADP Services grew 17.4% from FY91 to FY95, but the increase is masked by an even greater 31% increase in the number of contracts awarded in this market over the same period. This led to a 10% CBC share decline, from 22% to 19.7%. The CBC trend is significant because the number of CBCs is growing and because the CBC ratio is among the highest of the markets studied. However the declining ratio of CBCs to all awards leads us to treat the trend as a moderate one. **Bundled Contract Rating: .5 (Moderate).**

Table H.1: Trends in ADP Services CBCs FY91-95.

FY	CBCs	CONTRACTS	CBC PCNT
91	698	3173	22.0
92	794	3625	21.9
93	804	3933	20.4
94	830	4019	20.7
95	820	4167	19.7

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

The APC ratio is up 19% FY91-95, from 4.38 to 5.22. This upward trend would typically be interpreted as supporting the theory of contract bundling, but with the CBC share heading down, a rising APC ratio could also suggest simply that as ADP services contracts have grown in size, the number of actions placed against them has also grown. **Bundled Contract Rating: 1 (High).**

Table H.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	3311	14504	4.38
92	3745	19877	5.31
93	4085	21018	5.15
94	4165	21494	5.16
95	4369	22772	5.22

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

Table H.3: Overall trends in large (L) and small (S) contracts in the ADP Services sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	2070	3173	65.2
	S	1103	3173	34.8
92	L	2379	3625	65.6
	S	1246	3625	34.4
93	L	2637	3933	67.0
	S	1296	3933	33.0
94	L	2814	4019	70.0
	S	1205	4019	30.0
95	L	2830	4167	67.9
	S	1337	4167	32.1

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

There have been only small changes in the small versus large contract ratio in ADP Services over the FY91-95 period. Starting the period with a 65.2% share, large contracts rose to account for as much as 70% of sector contracts in FY94, but dropped back down to an approximate 68% share by FY95. The FY95 large contract share is only 4.1% higher than FY91 figures. Given the 75% growth in average contract size for LBs over the five years, it is remarkable that the growth in large contract share is not much greater. These figures probably indicate intensifying competition in ADP Services rather than increased bundling. **Bundled Contract Rating: .5 (Moderate).**

5) *Small Business Trends in Small vs. Large Contracts*

Changes in the large versus small contract ratio have also been relatively small for 8(a)/SDBs and OSBs. Large contract share is only 2.6 percentage points higher in FY95 than in FY91, a 3.9% increase. Again, given downward trends in CBCs overall, rising large contract shares may also be explained simply by rising contract values. **Bundled Contract Rating: .5 (Moderate).**

Table H.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The ADP Services Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	1134	1703	66.6
	S	569	1703	33.4
92	L	1313	2042	64.3
	S	729	2042	35.7
93	L	1511	2276	66.4
	S	765	2276	33.6
94	L	1619	2267	71.4
	S	648	2267	28.6
95	L	1749	2534	69.0
	S	785	2534	31.0

6) *Contract and Dollar Trends by Business Type*

Average contract values grew in all business categories over the FY91-FY95 period. The largest growth was in the LB category, which saw contracts grow 75.7% in value. OSBs experienced the next largest rate of growth, from \$557,000 to \$731,000, or 31%. Surprisingly, 8(a)/SDB growth was slowest, rising 18% from \$660,000 to \$783,000. We do see some signs of overall concentration of ADP Services business in the hands of large businesses, but given that growth occurs across all sectors, detecting strong trends in favor of LBs is problematic. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table H.5: Trends In Contract Counts, Total Revenues And Average Contract Size By Type Of Business In The ADP Services Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	1078	712157	660.6
	OSB	705	392674	557.0
	LARGE	1426	2403548	1685.5
92	8(a)/SDB	1203	876096	728.3
	OSB	886	402819	454.6
	LARGE	1524	3627911	2380.6
93	8(a)/SDB	1371	960688	700.7
	OSB	949	511970	539.5
	LARGE	1609	3851563	2393.8
94	8(a)/SDB	1439	1076004	747.7
	OSB	863	526223	609.8
	LARGE	1710	4208584	2461.2
95	8(a)/SDB	1640	1284554	783.3
	OSB	936	684288	731.1
	LARGE	1644	4868669	2961.5

7) Small vs. Large Business Trends in CBCs

Table 8.1 tells us that even though overall CBC percentages are down, one out of every five ADP Services contracts is a CBC. CBCs have been a relatively consistent and prevalent market phenomena over a long period of time. Because the ADP Services industry is dominated by large businesses, LB trends toward fewer CBCs led overall CBC statistics downward.

Table H.6: Trends In CBCs By Type Of Business In The ADP Services Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	144	3173	4.5
	OSB	164	3173	5.2
	LARGE	460	3173	14.5
92	8(a)/SDB	165	3625	4.6
	OSB	211	3625	5.8
	LARGE	506	3625	14.0
93	8(a)/SDB	176	3933	4.5
	OSB	203	3933	5.2
	LARGE	518	3933	13.2
94	8(a)/SDB	190	4019	4.7
	OSB	208	4019	5.2
	LARGE	530	4019	13.2
95	8(a)/SDB	226	4167	5.4
	OSB	221	4167	5.3
	LARGE	482	4167	11.6

Breaking out CBC figures for 8(a)/SDBs and OSBs, however, we do see signs of bundling, and it appears to be benefitting small businesses in this market, not harming them. Both 8(a)/SDBs and OSBs grew their CBC share as they simultaneously grew their contract and dollar totals. CBCs

accounted for only 4.5% of 8(a)/SDB contracts in FY91, but the share rose steadily to 5.4% in FY95, a 20% growth rate. OSB CBC share has fluctuated over the five years, but finally closed with a .1 percentage point increase in CBC share from the 5.2% figure in FY91 to the 5.3% in FY95. The LB CBC ratio is down 20% FY91-FY95, indicating diverse ADP Services tasks are being dispersed across relatively more firms. **Harm To Small Business Rating: 0 (Low).**

8) Trends In Counts of Business Types

Breaking out ADP Services company counts by business type shows 8(a)/SDBs and OSBs gaining share over the FY91-FY95 period, almost entirely at the expense of LBs. 8(a)/SDBs and OSBs gained a combined 3.6 percentage points as LBs dropped 3.5 percentage points. The small business market presence in ADP Services is clearly growing. Were we to stratify just the small business category by size of firm, we would probably see the number of large small businesses growing much faster than the number of the smallest ADP businesses. **Harm to Small Business Rating: 0 (Low).**

Table H.7: Trends In Counts of ADP Services Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	472	1810	26.1
	OSB	555	1810	30.7
	LARGE	813	1810	44.9
92	8(a)/SDB	628	2320	27.1
	OSB	732	2320	31.6
	LARGE	978	2320	42.2
93	8(a)/SDB	762	2872	26.5
	OSB	883	2872	30.7
	LARGE	1221	2872	42.5
94	8(a)/SDB	596	2336	25.5
	OSB	713	2336	30.5
	LARGE	1046	2336	44.8
95	8(a)/SDB	693	2401	28.9
	OSB	761	2401	31.7
	LARGE	986	2401	41.1

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

Only OSBs show a drop in their share of large contracts over the FY91-FY95 period; both the 8(a)/SDB and LB categories made modest gains. OSB large contract share fell 3.7%, from 53.7% to 51.7%, while 8(a)/SDB large contract share rose 4.9% and LB share rose 3.5%. The modest changes in large contract share in light of the large influx of dollars over the five years suggest that the new dollars are being funneled through approximately the same number of contracts. Large businesses do not appear to be gaining share dramatically at the expense of small firms. **Harm to Small Business Rating: .66 (Moderate-High).**

Table H.8: Trends In Counts Of Large Contracts By Type Of Business In The ADP Services Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	777	1031	75.4
	OSB	366	682	53.7
	LARGE	886	1363	65.0
92	8(a)/SDB	909	1180	77.0
	OSB	417	875	47.7
	LARGE	1016	1496	67.9
93	8(a)/SDB	1073	1349	79.5
	OSB	447	939	47.6
	LARGE	1079	1575	68.5
94	8(a)/SDB	1148	1416	81.1
	OSB	475	856	55.5
	LARGE	1155	1689	68.4
95	8(a)/SDB	1281	1619	79.1
	OSB	479	927	51.7
	LARGE	1096	1628	67.3

10) Ratio of New, Small Businesses Entering the Federal Marketplace

The ADP Services sector appears to be an increasingly difficult market to enter for small firms. The ratio of new, small businesses as a share of all small firms has declined dramatically since fiscal 1992 by a total of 38%. New, small businesses represented over one out of every two small firms in ADP Services in FY92, but by FY95 they accounted for only two out of every five. The growth in sector dollars going to small firms over the FY91-95 period has increasingly favored incumbents. **Harm to Small Business Rating: 1 (High).**

Table H.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Construction And Renovation Market

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
727	55.7	891	56.4	600	47.3	563	40.4

11) Market Summary

The ADP Services sector shows a modest trend toward contract consolidation. Unlike other sectors, we see in ADP Services strong growth in amounts of dollars, numbers of companies and numbers of contracts. Nonetheless, most signs of contract consolidation are present. Average contract values are up substantially over the five years, as is the Actions Per Contract ratio. The ratio of small contracts as a share of all ADP Services contracts is down overall, as well as being down in similar percentages for small businesses. Yet, in contrast to these trends, we see a falling ratio of CBCs as a share of all sector awards.

Small businesses account for a slightly higher percentage of businesses participating in the ADP Services sector in FY95 than they did in FY91, indicating that the large company grip in the

market has weakened slightly. But significantly fewer of the small firms are new, indicating that the market may be throwing up barriers to entry.

The key piece of evidence indicating bundling in ADP Services is the breakdown of CBC contract share by business type. It is here that we see increases in 8(a)/SDB and OSB CBC share. If bundling is occurring, it is probably only affecting small businesses, as the CBC share of LB contracts fell significantly FY91-95. Although the small business sector CBC increases are slight, they nonetheless confirm the other supporting evidence:

Yet the trend toward bundled contracts in the ADP Services sector is modest. Large contract shares of small business awards are down slightly, and small businesses account for a slightly higher share of participating firms. If bundling is occurring, it is not benefiting the LB sector significantly at the expense of the OSB and 8(a)/SDB sector. This will be a market to monitor closely over the coming years. **Combined Bundled Contract/Small Business Impact Rating: 4.65.**

I. ADP Manufacturing (FS Group 70)

1) General Trends

The ADP Group 70 Hardware market shows five-year growth in spending and fluctuations in participating businesses and contracts issued. Ultimately all three indicators are up overall from FY91 to FY95. Total dollars grew 21%; numbers of participating firms also grew 21%; and total contracts rose 11.2%.

The increase in spending primarily benefited the 8(a)/SDB category of business. Their revenues soared 166%, from \$407 million to \$1.083 billion, between FY91 and FY95. OSBs grew their revenues 20%, from \$788 million to \$943 million, and LB revenues rose only 2%, from \$3.1 billion to \$3.2 billion. Growth in this sector was clearly focused on small businesses.

The 8(a)/SDB category growth in dollars was not matched by growth in participating businesses, indicating some business consolidation is going on. Numbers of participating 8(a)/SDBs grew 81%, from 351 to 635. By FY94, the number of OSBs had surpassed the number of large firms. Counts of OSBs rose 23%, from 1,534 to 1,881 FY91-FY95, and LBs grew 10%, from 1,613 to 1,769. No significant OSB business consolidation is apparent from these numbers, and the more rapid increase of LB companies over LB dollars indicates a more competitive large company business environment.

Numbers of contracts grew for small businesses but shrank for large ones. 8(a)/SDB firm contract counts grew 91% FY91-FY95, from 774 to 1,475. OSB contract counts rose 16.5%, from 2,170 to 2,528. LB counts dropped 15%, from 2,790 to 2,372.

With contract counts rising more modestly than revenues, or dropping in the case of LBs, average ADP Manufacturing contract values rose. For 8(a)/SDBs the rise was a dramatic 40%, from \$526,000 to \$734,000. OSB average contract value was relatively flat, rising only 2.7% from \$363,000 to \$373,000. LBs, which saw contract totals decline, saw revenue per contract grow 20%, from \$1.128 million to \$1.355 million.

2) CBC Trends

Over the five year period of this study, the CBC ratio is down 12.5%, but there has been an 8.5% growth since FY93, with a plateau reached in FY94 and FY95 of 10.4%. Contract consolidation appears to be on the rise again, albeit modestly. **Bundled Contract Rating: .5 (Moderate).**

**Table I.1: Trends in ADP Manufacturing CBCs
FY91-95.**

FY	CBCs	CONTRACTS	CBC PCNT
91	657	5639	11.7
92	643	6476	9.9
93	617	6423	9.6
94	589	5651	10.4
95	654	6282	10.4

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

Actions per contract are up slightly over five years. After dipping from 5.27 in FY91 to 4.90 in FY93, the APC rested at 5.88 in FY95, a five-year increase of 11.5% and a two-year increase of 20%. However, APC dipped slightly between FY94 and FY95. The pattern of APC growth and plateau appears to parallel the CBC ratio in the last three years. **Bundled Contract Rating: .5 (Moderate).**

Table I.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	5832	30707	5.27
92	6675	33610	5.04
93	6684	32749	4.90
94	5838	34665	5.94
95	6485	38109	5.88

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

The large contract share of all ADP Manufacturing contracts is up a modest 2.8% FY91-FY95, from 42.6% to 43.8%. The small contract share of awards was down only 2%. Small contracts valued less than \$100,000 are still the predominant contracting vehicle in ADP Manufacturing, accounting for more than half of all contracts in this sector. **Bundled Contract Rating: .5 (Moderate).**

Table I.3: Overall Trends In Large (L) And Small (S) Contracts In The ADP Manufacturing Sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	2405	5639	42.6
	S	3234	5639	57.4
92	L	2579	6476	39.8
	S	3897	6476	60.2
93	L	2855	6423	44.4
	S	3568	6423	55.6
94	L	2735	5651	48.4
	S	2916	5651	51.6
95	L	2753	6282	43.8
	S	3529	6282	56.2

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

Small businesses saw a slightly larger shift from small to large ADP Manufacturing contracts over the FY91-FY95 period than was evidenced in figures for the sector as a whole. The share of large contracts grew 9.3%, from 37.8% to 41.3% as the share of small contracts fell. These numbers tend to support claims that a modest trend toward contract bundling is occurring in the small business categories of ADP Manufacturing. **Bundled Contract Rating: .5 (Moderate).**

Table I.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The ADP Manufacturing Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	1078	2851	37.8
	S	1773	2851	62.2
92	L	1270	3697	34.4
	S	2427	3697	65.6
93	L	1514	3766	40.2
	S	2252	3766	59.8
94	L	1531	3314	46.2
	S	1783	3314	53.8
95	L	1627	3944	41.3
	S	2317	3944	58.7

6) Contract and Dollar Trends by Business Type

When broken out by business category, average contract revenues clearly took off for 8(a)/SDBs and LBs, but stayed flat for OSBs. Jumping from \$526,000 in FY91 to \$734,000 in FY95, 8(a)/SDB contract value grew 40%. LB contract values jumped 20%, while an average OSB contract grew a scant 2.7%. Only the growth in LB contracts is treated as a negative with regard to small businesses. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table I.5: Trends In Contract Counts, Total Revenues and Average Contract Size By Type Of Business In The ADP Manufacturing Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	774	407525	526.5
	OSB	2170	788402	363.3
	LARGE	2790	3148851	1128.6
92	8(a)/SDB	869	454865	523.4
	OSB	2882	686851	238.3
	LARGE	2836	3316063	1169.3
93	8(a)/SDB	1182	568855	481.3
	OSB	2644	812694	307.4
	LARGE	2769	3313550	1196.7
94	8(a)/SDB	1222	713767	584.1
	OSB	2138	873790	408.7
	LARGE	2461	3238152	1315.7
95	8(a)/SDB	1475	1083247	734.4
	OSB	2528	943771	373.3
	LARGE	2372	3213804	1354.9

7) Small vs. Large Business Trends in CBCs

This indicator is a difficult one to judge. As demonstrated in table 9.5, small business contracts and revenue totals are up in ADP Manufacturing. But the CBC ratio for 8(a)/SDBs and OSBs go in opposite directions. 8(a)/SDBs saw a 118% increase in their CBC share of total contracts from FY91 to FY95 while revenues climbed 66%. Five-year OSB contract and revenue totals rose, but CBC share fell 11.6%. LB CBC ratios also dropped, by 25.6%. ADP Manufacturing contracting appears to be becoming more concentrated for 8(a)/SDBs and more competitive for OSBs and LBs.

Table I.6: Trends In CBCs By Type of Business In The ADP Manufacturing (Group 70) Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	61	5639	1.1
	OSB	240	5639	4.3
	LARGE	415	5639	7.4
92	8(a)/SDB	68	6476	1.1
	OSB	240	6476	3.7
	LARGE	391	6476	6.0
93	8(a)/SDB	85	6423	1.3
	OSB	230	6423	3.6
	LARGE	365	6423	5.7
94	8(a)/SDB	95	6651	1.7
	OSB	226	6651	4.0
	LARGE	346	6651	6.1
95	8(a)/SDB	151	6282	2.4
	OSB	238	6282	3.8
	LARGE	346	6282	5.5

Given the divergent small business CBC trends in a rising ADP Manufacturing market, we treat both trends as both helping and harming small business. The 8(a)/SDB trend is contributing to the growth of the small business share in this market, but it is also crowding out smaller 8(a)/SDBs and OSBs from key opportunities. The downward CBC trend for OSBs is helpful in that it is a sign of increasing competition among OSBs, but it also indicates that OSBs are losing ground to 8(a)/SDBs. The decline in the LB CBC ratio is also a positive sign for small business. **Harm To Small Business Rating: .33 (Moderate-Low).**

8) Trends In Counts of Business Types

If contract bundling were occurring in the ADP Manufacturing sector and it was harming small businesses, we would typically expect to see a declining share of small firms and a growing share of large firms. But in ADP Manufacturing market we see exactly the opposite trend. The 8(a)/SDB share of ADP Manufacturing firms grew 50% between FY91 and FY95, from 10.7% to 15.9%. The OSB share of participating firms grew a slight 1%. The most significant trend is the declining percentage of large firms. The LB category saw their share of ADP Manufacturing firms shrink from 49% in FY91 to 44.3% in FY95, a 10% drop, even though the number of LB participants grew. These figures suggest that competition is thriving in the ADP Manufacturing sector, particularly among small businesses. **Harm To Small Business Rating: 0 (Low).**

Table I.7: Trends In Counts of ADP Manufacturing (Group 70) Companies By Type of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	351	3291	10.7
	OSB	1534	3291	46.6
	LARGE	1613	3291	49.0
92	8(a)/SDB	473	4113	11.5
	OSB	1951	4113	47.4
	LARGE	1951	4113	47.4
93	8(a)/SDB	592	4505	13.1
	OSB	2059	4505	45.7
	LARGE	2123	4505	47.1
94	8(a)/SDB	513	3474	14.8
	OSB	1622	3474	46.7
	LARGE	1600	3474	46.1
95	8(a)/SDB	635	3995	15.9
	OSB	1881	3995	47.1
	LARGE	1769	3995	44.3

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

Large contracts accounted for approximately the same level of OSB contracts over five years, and moderately larger percentages of 8(a)/SDB and LB awards. 8(a)/SDB firms saw their share of large contracts grow from 54.6% in FY91 to 59.2% in FY95 for 8% total growth. The LB large contract share grew 4.5% over five years and the OSB share fell by 2.5%, from 32.2% to 31.4%.

The declining OSB large contract ratio and the rising LB ratio are treated as negatives for small business. **Harm To Small Business Rating: .66 (Moderate-High).**

Table I.8: Trends In Counts Of Large Contracts By Type Of Business In The ADP Manufacturing (Group 70) Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	407	746	54.6
	OSB	683	2119	32.2
	LARGE	1308	2679	48.8
92	8(a)/SDB	513	860	59.7
	OSB	771	2854	27.0
	LARGE	1345	2770	48.6
93	8(a)/SDB	704	1168	60.3
	OSB	826	2615	31.6
	LARGE	1408	2696	52.2
94	8(a)/SDB	728	1212	60.1
	OSB	821	2120	38.7
	LARGE	1271	2378	53.5
95	8(a)/SDB	868	1465	59.2
	OSB	787	2510	31.4
	LARGE	1196	2346	51.0

10) Ratio of New, Small Businesses Entering the Federal Marketplace

We do see a modest decline in the ratio of new, small businesses entering the ADP Manufacturing market. The new business ratio fell from 68.3% of all small businesses in FY92 to 60.7% in FY95, an 11% drop. Selling hardware to the federal government has become a volume business as profit margins have been squeezed, especially over the last several years. It is not surprising therefore to see fewer new, small ADP Manufacturing companies in this extremely competitive market. **Harm To Small Business Rating: 1 (High).**

Table I.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The ADP Manufacturing (Group 70) Market.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
1391	68.3	1484	67.6	1090	61.8	1290	60.7

11) Market Summary

Signs of bundling appear in the ADP Manufacturing sector, but trends are difficult to categorize because they diverge so significantly from one business type to another. The 8(a)/SDB category shows significant signs of bundling, but the OSB and LB categories do not. CBC ratios are down overall, but they are up over 100% for 8(a)/SDBs. Because the tremendous spending growth in the 8(a)/SDB sector was not matched by increases in numbers of 8(a)/SDBs and contracts, there has been significant growth in 8(a)/SDB average contract value, APC and large contract shares.

It appears that business concentration is occurring within the 8(a)/SDB category itself as spending increases surpass growth in 8(a)/SDB business participation and growth in numbers of contract vehicles. In short, more money is being run through in-place contract vehicles that are increasingly held by 8(a)/SDB incumbents. While the ADP Manufacturing market is becoming more diversified, it is at the expense of large companies and the smaller 8(a)/SDB and OSB firms.

When signs of bundling appear, we normally expect to see benefits accrue to large companies at the expense of small ones. But ADP Manufacturing is a unique market. In this sector OSB and LB performance is lagging as minority-owned and disadvantaged firms reap the benefits of 100%+ revenue growth. Large companies saw shares of contract revenue and shares of market participants decline, indicating increased competition among LBs.

To the extent bundling is occurring in the ADP Manufacturing market, it is happening in the 8(a)/SDB business category. Ironically, bundling in this category appears to be harming LBs and having little impact on OSBs. **Combined Bundled Contract/Small Business Impact Rating: 4.32.**

J. Hospital & Pharmaceutical Supplies (FS Group 65)

1) General Trends

The Hospital and Pharmaceutical Supplies Market has been in a steady decline for the last five fiscal years. All major indicators in this sector are down. From FY91 to FY95, total spending fell 22%, numbers of firms dropped 15% and numbers of awarded contracts sank 43%. The sector, which is dominated by LBs, saw the LB dollar share grow from 79% in FY91 to 81% in FY95, carving dollar and contracts away from 8(a)/SDBs and OSBs.

As we have seen in other sectors, when contract counts fall at a faster rate than total dollars there is an increase in average contract value. In the Hospital and Pharmaceutical Supplies sector, average contract value rose from \$354,000 to \$482,000, an increase of 36%. This was the result mainly of a 48% drop in the number of LB contracts. LBs, which received six times more revenue than the second place OSBs in FY95, saw their average contract grow from \$468,000 to \$713,000, or 52%. An average OSB contract grew 20%, and, in an unusual occurrence, 8(a)/SDB average contract value actually fell 24%, from \$136,000 to \$103,000.

With average contracts growing in size and reducing in number, and with LBs growing their dollar and company count shares, we would expect to see evidence of bundling.

2) CBC Trends

The CBC ratio increased dramatically in the Hospital and Pharmaceutical Supplies market between FY91 and FY95. CBC share rose from 10.8% to 17.6%, for 62% total growth over the five years. Much of the growth occurred between FY91 and FY92. After dipping in FY93, the CBC ratio resumed its upward trend, finishing at a peak in FY95. Clearly, bundling is a growing phenomena in Hospital and Pharmaceutical Supplies. **Bundled Contract Rating: 1 (High).**

Table J.1: Trends In Hospital & Pharmaceutical Supplies CBCs FY91-95.

FY	CBCs	CONTRACTS	CBC PCNT
91	400	3695	10.8
92	493	3042	16.2
93	493	3219	15.3
94	402	2318	17.3
95	371	2109	17.6

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

A rising APC ratio confirms observed trends in CBCs. APC was 51% higher in FY95 than in FY91, although the peak APC occurred in FY93. It has declined steadily since then. This recent downward trend may have more to do with the overall decline in the number of contracts issued in this sector rather than a decline in their relative concentration. **Bundled Contract Rating: .5 (Moderate).**

Table J.2: Trends In Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	3706	9238	2.49
92	3060	11609	3.79
93	3262	16445	5.04
94	2370	10762	4.54
95	2126	7969	3.75

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

Table J.3: Overall Trends In Large (L) And Small (S) Contracts In The Hospital & Pharmaceutical Supplies Sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	1366	3695	37.0
	S	2329	3695	63.0
92	L	1055	3042	34.7
	S	1987	3042	65.3
93	L	1100	3219	34.2
	S	2119	3219	65.8
94	L	858	2318	37.0
	S	1460	2318	63.0
95	L	747	2109	35.4
	S	1362	2109	64.6

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

Surprisingly, shares of large contracts in Hospital and Pharmaceutical Supplies shrank approximately 3% between FY91 and FY95, from 37% of all contracts to 35.4%. Although counts of both large and small contracts declined, counts of large contracts declined faster. While this trend does not strengthen the case that bundling is occurring in this sector, neither does it offer compelling evidence against the theory. The percentages seem to fluctuate over time, and the cumulative, five-year difference is small. The large contract share is up in FY95 over FY93. **Bundled Contract Rating: .5 (Moderate).**

5) *Small Business Trends in Small vs. Large Contracts*

Small Hospital and Pharmaceutical Supply businesses show noticeable growth in their share of small contracts over the FY91-FY95 period. In a growing market where dollars and contract numbers are increasing, this 7% growth in small contract share might be interpreted as a sign of greater competition or even greater access by small businesses to the market. But in a declining market where only LB dollar share is growing, these figures may well indicate that LBs are winning the most lucrative contracts, leaving smaller opportunities to the small businesses. **Bundled Contract Rating: .5 (Moderate)**

Table J.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The Hospital & Pharmaceutical Supplies Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	393	1246	31.5
	S	853	1246	68.5
92	L	300	1034	29.0
	S	734	1034	71.0
93	L	300	1166	25.7
	S	866	1166	74.3
94	L	221	846	26.1
	S	625	846	73.9
95	L	218	821	26.6
	S	603	821	73.4

6) *Contract and Dollar Trends by Business Type*

As noted, with LB contract counts dropping 48%, LB average contract value rose 52% from FY91 to FY95. OSB contract values rose 20% and 8(a)/SDB contracts dropped 24%, one of the only markets showing a decline in 8(a)/SDB activity. Although LB and OSB contracts rose in value, OSBs rose more slowly. LBs appear to be gaining ground in Hospital and Pharmaceutical Supplies at the expense of small businesses. **Harm To Small Business Rating: 1 (High).**

Table J.5: Trends In Contract Counts, Total Revenues and Average Contract Size By Type Of Business In The Hospital & Pharmaceutical Supplies Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	144	19715	136.9
	OSB	1106	187711	169.7
	LARGE	2223	1041069	468.3
92	8(a)/SDB	184	17592	95.6
	OSB	873	118866	136.2
	LARGE	1873	1529376	816.5
93	8(a)/SDB	220	25203	114.6
	OSB	989	144156	145.8
	LARGE	1977	902145	456.3
94	8(a)/SDB	154	13382	86.9
	OSB	705	113433	160.9
	LARGE	1396	934603	669.4
95	8(a)/SDB	106	10931	103.1
	OSB	719	145721	202.7
	LARGE	1166	832291	713.8

7) Small vs. Large Business Trends in CBCs

Table 10.6 shows that bundling is growing significantly across all business categories in Hospital and Pharmaceutical Supplies. The 8(a)/SDB CBC share rose 700%, from .1% of all to .8%, between FY91 and FY95. OSB CBC share rose 79% and the LB CBC share rose 56%. Given falling contract counts, a rising CBC ratio is surely a negative for small business as a whole, and particularly for the smallest small businesses. Furthermore, given the dominance of LBs in this market, a 56% growth in LB CBC share over five years is almost certainly carving away contracts from small firms. **Harm To Small Business Rating: 1 (High)**

Table J.6: Trends in CBCs By Type of Business In The Hospital & Pharmaceutical Supplies Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	3	3695	0.1
	OSB	107	3695	2.9
	LARGE	304	3695	8.2
92	8(a)/SDB	23	3042	0.8
	OSB	149	3042	4.9
	LARGE	365	3042	12.0
93	8(a)/SDB	29	3219	0.9
	OSB	137	3219	4.3
	LARGE	356	3219	11.1
94	8(a)/SDB	24	2318	1.0
	OSB	108	2318	4.7
	LARGE	287	2318	12.4
95	8(a)/SDB	16	2109	0.8
	OSB	109	2109	5.2
	LARGE	269	2109	12.8

8) Trends In Counts of Business Types

As LBs have gained in dollar share in the Hospital and Pharmaceutical market, they have also gained in their share of the number of participating businesses, if only slightly. The LB share of participating businesses grew from 55% in FY91 to 56.7 in FY95, a 3% total growth in share. OSBs lost 3.1 percentage points, or 7.6% and 8(a)/SDBs actually gained in share by a surprising 38%. The drop in 8(a)/SDB average contract revenue can in part be attributed to greater competition in a shrinking market. **Harm To Small Business Rating: .66 (Moderate-High)**

Table J.7: Trends In Counts Of Hospital & Pharmaceutical Supplies Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	68	1760	3.9
	OSB	716	1760	40.7
	LARGE	968	1760	55.0
92	8(a)/SDB	112	2089	5.4
	OSB	712	2089	34.1
	LARGE	1254	2089	60.0
93	8(a)/SDB	140	2096	6.7
	OSB	740	2096	35.3
	LARGE	1229	2096	58.6
94	8(a)/SDB	110	1555	7.1
	OSB	528	1555	34.0
	LARGE	891	1555	57.3
95	8(a)/SDB	81	1503	5.4
	OSB	565	1503	37.6
	LARGE	852	1503	56.7

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

When we analyze large Hospital & Pharmaceutical Supply contracts by business category, we see only one real surprise. We expect to see OSB large contract percentages to go down, as they do by 18% between FY91 and FY95, and the 1.4 percentage point growth in LB large contract share is not surprising given the growth in their average contract value. However, the 24% increase in 8(a)/SDB large contract share, from 23.6% to 29.2% comes on top of their 24% decline in average contract value. 8(a)/SDB average contract value is still above \$100,000 in FY95, so a greater percentage of the contracts awarded in this sector must have been large even as average contract value was shrinking. **Harm To Small Business Rating: 1 (High).**

Table J.8: Trends In Counts Of Large Contracts By Type Of Business In The Hospital & Pharmaceutical Supplies Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	34	144	23.6
	OSB	360	1103	32.6
	LARGE	884	2217	39.9
92	8(a)/SDB	50	182	27.5
	OSB	261	872	29.9
	LARGE	698	1869	37.2
93	8(a)/SDB	64	215	29.8
	OSB	248	984	25.2
	LARGE	770	1970	39.1
94	8(a)/SDB	49	152	32.2
	OSB	176	702	25.1
	LARGE	696	1390	42.9
95	8(a)/SDB	31	106	29.2
	OSB	191	719	26.6
	LARGE	480	1161	41.3

10) Ratio of New, Small Businesses Entering the Federal Marketplace

Another surprise is the relatively robust level of new, small business entrants to the Hospital and Pharmaceutical Supply market after five years of steady spending declines. The ratio of new, small businesses entering the market fell only 7.5%, from 65.1% to 61.2% between FY92 and FY95. Despite its problems, this market is still relatively attractive to new small business players, although moderately less so than it was four years ago. **Harm To Small Business Rating: .5 (Moderate).**

Table J.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Hospital & Pharmaceutical Supplies Market.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
518	65.1	549	65.1	370	59.9	384	61.2

11) Market Summary

The clear trend in Hospital and Pharmaceutical Supplies is toward market consolidation. Fewer contracts with increasingly higher average values are being issued to fewer market players. Bundled contract ratios are up, as are the number of actions per contract. LBs increasingly dominate the market's dollar receipts, number of participating firms and contract counts. New, small firms are finding Hospital and Pharmaceutical Supplies an increasingly difficult market to enter. Statistics for this market appear to confirm the presence of bundling and its detrimental effects on small businesses. **Combined Bundled Contract/Small Business Impact Rating: 7.16.**

K. System Maintenance, Repair & Alteration (FS Group J0*)

1) General Trends

The Systems Maintenance, Repair & Alteration market has been up and down between FY91 and FY95, ultimately ending the period down very slightly in dollars, down moderately in counts of contracts but up slightly in participating companies. It is a market dominated by large firms in terms of dollar receipts – large businesses received nearly 14 times more revenue than OSBs and 8(a)/SDBs in FY95. However, small firms play an active role in terms of the numbers of participants and number of contracts.

Between FY91 and FY95 overall dollars were down a total of one-half of one percent, from \$6.779 billion to \$6.742 billion. Gains in 8(a)/SDB spending were offset by OSB and LB losses. 8(a)/SDB contract totals grew 67%, from \$182 million to \$304 million. OSB dollars fell 30% and LB dollars awards declined a slight 2.9%. By FY95, 8(a)/SDBs were receiving almost as many dollars as OSBs with one-fourth the number of participating firms.

Numbers of participating companies were up overall, from 4,073 to 4,215, or 3.5%. This rise was mainly the result of growth in the 8(a)/SDB sector, which saw company counts increase from 287 to 413, for total growth of 44%. Counts of participating OSBs were virtually unchanged despite the downturn in OSB dollars. Similarly, LB counts rose 3.0% in the face of a 2.9% dollar shrinkage. OSBs and LBs clearly witnessed intensifying competition in Systems Maintenance.

Not surprisingly, the number of contracts issued to 8(a)/SDBs grew, while total contracts issued to OSBs and LBs fell. Contract counts rose 41% for 8(a)/SDBs between FY91 and FY95, but OSB counts fell 9.6% and LB counts declined 13.5%.

With overall dollars falling more slowly than contract counts, there is apparently some bundling going on in Systems Maintenance. Consolidation is almost certainly occurring in the 8(a)/SDB sector, where dollars rose 67% and contract counts grew only 41%. Dollars are declining faster than contract counts in the OSB category, which indicates consolidation is likely not occurring there. But the LB category shows possible signs of bundling as contract counts have fallen at a faster rate than dollars.

2) CBC Trends

Overall contract counts show a negative CBC trend FY91-FY95. The CBC percentage of all Systems Maintenance Contracts declined 3.6 percentage points, or 22%, over the last five fiscal years. The fall-off was most dramatic between FY94 and FY95, when, after a three-year plateau, the CBC share declined 19%. Bundling appears to be a declining force in this market. **Bundled Contract Rating: 0 (Low).**

Table K.1: Trends in System Maintenance And Repair CBCs FY91-95.

FY	CBCs	CONTRACTS	CBC PCNT
91	1063	6523	16.3
92	1025	6544	15.7
93	977	6256	15.6
94	911	5810	15.7
95	773	6079	12.7

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

After starting out the FY91-95 period at 2.74, the Systems Maintenance market APC peaked at 2.84 in FY93 before dropping back essentially to where it began by FY95. No strong APC trends emerge. **Bundled Contract Rating: 0 (Low).**

Table K.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	6864	18810	2.74
92	6904	18811	2.72
93	6609	18793	2.84
94	6061	17064	2.82
95	6295	17166	2.73

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

Table K.3: Overall Trends In Large (L) And Small (S) Contracts In The System Maintenance And Repair Sector

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	2947	6523	45.2
	S	3576	6523	54.8
92	L	3043	6544	46.5
	S	3501	6544	53.5
93	L	2932	6256	46.9
	S	3324	6256	53.1
94	L	2694	5810	46.4
	S	3116	5810	53.6
95	L	2602	6079	42.8
	S	3477	6079	57.2

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

In a market undergoing contract consolidation, we might expect to see an increase in the share of all contracts that are worth more than \$100,000. In Systems Maintenance, however, the trend is exactly the opposite. Between FY91 and FY95, large contracts declined as a share of all Systems Maintenance contracts by 2.4 percentage points, or 5.3%. As with the APC ratio, the largest drop occurred between FY94 and FY95, when the large contract ratio fell 7.7%. **Bundled Contract Rating: 0 (Low).**

5) *Small Business Trends in Small vs. Large Contracts*

Large contracts awarded to small Systems Maintenance contractors show somewhat smaller reductions in share FY91 to FY95 than for contracts overall, but the trend is downward and the conclusion is essentially the same as with large contract trends overall. There is a slightly larger share of small Systems Maintenance contracts in FY95 than in FY91, indicating greater competition and greater diversity among contractors, not consolidation. **Bundled Contract Rating: 0 (Low).**

Table K.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The System Maintenance And Repair Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	992	2626	37.8
	S	1634	2626	62.2
92	L	1098	2725	40.3
	S	1627	2725	59.7
93	L	1075	2607	41.2
	S	1532	2607	58.8
94	L	963	2398	40.2
	S	1435	2398	59.8
95	L	978	2641	37.0
	S	1663	2641	63.0

6) *Contract and Dollar Trends by Business Type*

Average contract value was up for 8(a)/SDBs and LBs, but down for OSBs FY91-FY95. An average 8(a)/SDB contract climbed 18.6% in value FY91-FY95, from \$423,000 to \$502,000. LB average contract value grew 12.4% while OSB contracts dropped in value by 22.6%. The fall in OSB contract values and the growth in LB contracts are interpreted as negatives for small business. But with CBC ratios declining and APC holding steady, bundling does not adequately explain contract value changes. **Harm to Small Business Rating: .66 (Moderate-High).**

Table K.5: Trends In Contract Counts, Total Revenues And Average Contract Size By Type Of Business In The System Maintenance And Repair Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	430	182010	423.3
	OSB	2278	554394	243.4
	LARGE	3523	5465278	1551.3
92	8(a)/SDB	461	249474	541.2
	OSB	2325	463958	199.6
	LARGE	3494	5193222	1486.3
93	8(a)/SDB	511	243571	476.7
	OSB	2141	442319	206.6
	LARGE	3327	5258182	1580.5
94	8(a)/SDB	488	237742	487.2
	OSB	1934	378447	195.7
	LARGE	3040	5612554	1846.2
95	8(a)/SDB	606	304463	502.4
	OSB	2059	388128	188.5
	LARGE	3045	5308297	1743.3

7) Small vs. Large Business Trends in CBCs

Table 11.6 confirms that, at least for LBs, the rise in average Systems Maintenance contract value is not explained by a rise in CBCs. For OSBs, the 25% drop in CBC share suggests other trends are causing their declining role in Systems Maintenance. The 36% growth in CBC market share in the 8(a)/SDB category does suggest that despite the overall declining CBC ratio, there likely is some bundling going on here and that it may be affecting OSBs and LBs negatively. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table K.6: Trends In CBCs By Type of Business In The System Maintenance And Repair Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	72	6523	1.1
	OSB	264	6523	4.0
	LARGE	744	6523	11.4
92	8(a)/SDB	64	6544	1.0
	OSB	257	6544	3.9
	LARGE	759	6544	11.6
93	8(a)/SDB	86	6256	1.4
	OSB	242	6256	3.9
	LARGE	714	6256	11.4
94	8(a)/SDB	70	5810	1.2
	OSB	216	5810	3.7
	LARGE	675	5810	11.6
95	8(a)/SDB	89	6079	1.5
	OSB	181	6079	3.0
	LARGE	557	6079	9.2

8) Trends In Counts of Business Types

As numbers of participating Systems Maintenance companies have grown over the FY91-FY95 period, only 8(a)/SDBs have increased their share. OSB and LB company share declined. The fact that 8(a)/SDB company growth was slower than dollar growth indicates some concentration of revenues among the larger 8(a)/SDB firms. OSB declines in company share, a 5.4% drop over five years, roughly corresponds to drops in revenues and contracts and is not unexpected. The decline in LB company share, given the increase in LB average contract revenue, indicates LB dollars are concentrating in fewer hands. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table K.7: Trends In Counts Of System Maintenance And Repair Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	287	4573	6.3
	OSB	1600	4573	35.0
	LARGE	1911	4573	41.8
92	8(a)/SDB	342	5319	6.4
	OSB	1788	5319	33.6
	LARGE	2222	5319	41.8
93	8(a)/SDB	419	5854	7.2
	OSB	1863	5854	31.8
	LARGE	2484	5854	42.4
94	8(a)/SDB	344	4634	7.4
	OSB	1483	4634	32.0
	LARGE	1903	4634	41.1
95	8(a)/SDB	413	4857	8.5
	OSB	1609	4857	33.1
	LARGE	1968	4857	40.5

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

The business category breakouts of large Systems Maintenance contracts show 8(a)/SDBs increasing their large contract share FY91-FY95, while large contract share for OSBs and LBs declined. Over the five years, 8(a)/SDB large contract share rose 5% while OSB share fell 10% and LB share fell 5.5%. This confirms business category breakouts in average contract value and CBCs. The growth in 8(a)/SDB large contract share adds further confirmation to the other evidence of bundling. This may explain part of the decline in OSB Systems maintenance revenues. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table K.8: Trends In Counts Of Large Contracts By Type Of Business In The System Maintenance And Repair Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	222	412	53.9
	OSB	777	2223	35.0
	LARGE	1655	3290	50.3
92	8(a)/SDB	267	449	59.5
	OSB	838	2284	36.7
	LARGE	1699	3340	50.9
93	8(a)/SDB	279	499	55.9
	OSB	800	2112	37.9
	LARGE	1647	3192	51.6
94	8(a)/SDB	287	481	59.7
	OSB	680	1922	35.4
	LARGE	1542	2991	51.6
95	8(a)/SDB	339	599	56.6
	OSB	644	2049	31.4
	LARGE	1434	3017	47.5

10) Ratio of New, Small Businesses Entering the Federal Marketplace

Despite the strong growth in 8(a)/SDB firms over the FY91-FY95 time frame, the number of new, small businesses entering the Systems Maintenance market fell 10%, indicating that overall, this was an increasingly difficult market for small businesses to penetrate. Given that the 8(a)/SDB business category shows the only strong tendency toward bundling, new business entry declines may well have additional explanations. **Harm To Small Business Rating: .5 (Moderate).**

Table K.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The System Maintenance And Repair Market

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
1176	55.9	1521	67.9	993	55.3	994	50.2

11) Market Summary

Systems Maintenance shows weak signs of bundling. The 8(a)/SDB business category is the only one to show a consistent tendency contract consolidation across all indicators: CBCs, APC, average contract value and shares of large contracts are all up for 8(a)/SDBs and down for OSBs and LBs. It appears that not only is the government increasing its use of 8(a)/SDBs to help meet minority contracting goals, but given the growth in average contract value and CBC share combined with the relatively slower increase in numbers of participating companies, the larger 8(a)/SDBs are likely benefitting at the expense of the smaller ones.

It is important to keep in perspective the fact that 8(a)/SDBs numbered only about 25% of the count of OSBs in FY95 (413 SDBs vs. 1,609 OSBs), yet in terms of total dollars received, 8(a)/SDBs held 78% as much as OSBs. The ratio of 8(a)/SDB dollars to OSB dollars climbed steadily over the five year period of this study, having started in FY91 at only 32% of OSB dollars.

In Systems Maintenance, 8(a)/SDBs have influence on the market that exceeds their share of market participants. It is therefore reasonable to suggest that bundling in the 8(a)/SDB sector it is coming at the expense of OSB contracts and revenues. **Combined Bundled Contract/Small Business Impact Rating: 2.15**.

L. Office Supplies (FS Group 75)

1) General Trends

The Office Supplies market, the smallest sector studied in this analysis in terms of total dollars, was up and down over the FY91-FY95 period, finally finishing in FY95 on the upswing. In terms of numbers of companies, this sector has always been dominated by small businesses, but in terms of dollars, large businesses hold the lion's share. It bears mentioning that in this sector, a fourth category of business, Sheltered Workshops, plays a key role. Although counts of Sheltered Workshops are mainly in the single digits, their total dollars exceed awards to 8(a)/SDBs each year and by FY95 they had surpassed OSBs.

At \$201 million in FY95, overall spending in Office Supplies grew 29% from FY91 levels. The figure rests below the peak year of spending in FY92, when total awards amounted to \$212 million. Overall numbers of participating businesses are up 32% and contract counts are up 218%. It appears that in FY92 the federal government either changed Office Supplies reporting requirements or adopted a small business incentive program led to the 424% growth in total contracts FY91-FY92. Contract counts peaked at 1,345 in FY93 and then fell 39% to 821 before rising back again to 902 in FY95.

The overall Office Supplies figures suggest a moderate, relatively stable level of bundling. Contract counts are up significantly and total dollars only moderately, leading to smaller average contract values. Numbers of companies are up in all major business categories, indicating increased competition, not consolidation. It does appear some harm is occurring to OSB Office Supplies contractors. The OSB category was the only one to see revenues decline, as 8(a)/SDBs and Sheltered Workshops grew.

2) CBC Trends

The nature of the federal Office Supplies business changed dramatically FY91-FY92. After starting out the study period at a relatively high 25.9% ratio of CBCs to total contracts, the CBC ratio fell by over 50%, and has remained around 11% for four years. During this period, the number of contracts issued in the Office Supplies market climbed dramatically. Although the absolute number of CBCs also grew, the rise in total contracts more than offset CBC gains and the relative concentration of CBCs declined.

The huge jump in numbers of contracts issued between FY91-FY92 is unusual. It could well be that reporting requirements changed, particularly in view of the fact that total spending in this sector did not nearly match contract counts. It could be, for instance, that each order on a larger contract began receiving its own unique contract number, thereby inflating the contract count figures.

Contract count figures need further scrutiny in the Office Supplies market. **Bundled Contract Rating: .5 (Moderate).**

Table 12.1: Trends in Office Supplies CBCs FY91-95.

FY	CBCs	CONTRACTS	CBC PCNT
91	94	363	25.9
92	145	1245	11.6
93	166	1779	9.3
94	122	1015	12.0
95	123	1119	11.0

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

The APC ratio in Office Supplies is down from 5.46 to 3.91, a significant 28% drop. Most of this drop occurred between FY93 and FY94. After reaching a peak of 6.3 in FY93, the APC fell 37.6% to 3.93 the following year and has remained there through FY95. These figures suggest smaller, unbundled contracts. **Bundled Contract Rating: 0 (Low).**

Table 12.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	370	2021	5.46
92	1255	7473	5.95
93	1873	11806	6.3
94	1104	4337	3.93
95	1178	4604	3.91

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

Table 12.3: Overall Trends In Large (L) And Small (S) Contracts In The Office Supplies Sector.

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	156	363	43.0
	S	207	363	57.0
92	L	245	1245	19.7
	S	1000	1245	80.3
93	L	268	1779	15.1
	S	1511	1779	84.9
94	L	190	1015	18.7
	S	825	1015	81.3
95	L	183	1119	16.4
	S	936	1119	83.6

Large contracts are valued greater than \$100,000.
Small Contracts are valued less than \$100,000.

Small contracts valued less than \$100,000 have clearly become the dominant contract size over the FY91-FY95 time frame in Office Supplies. The Small contract share grew 26.6 percentage points, or 46%, over the study period. We would expect to see the opposite trend were bundling a growing feature of contracting in this sector. The overall contract size indicator does not suggest bundling. **Bundled Contract Rating: 0 (Low).**

5) Small Business Trends in Small vs. Large Contracts

The dominance of small contracts among small Office Supplies contractors is even greater than for contracts overall. Over 92% of Office Supplies contracts awarded to small businesses were small by FY95, a 39% growth in small contract share. This is not a sign of contract bundling. **Bundled Contract Rating: 0 (Low).**

Table 12.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The Office Supplies Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	57	169	33.7
	S	112	169	66.3
92	L	112	853	13.1
	S	741	853	86.9
93	L	120	1329	9.0
	S	1209	1329	91.0
94	L	83	810	10.2
	S	727	810	89.8
95	L	69	908	7.6
	S	839	908	92.4

6) Contract and Dollar Trends by Business Type

Table 12.5: Trends In Contract Counts, Total Revenues And Average Contract Size By Type of Business In The Office Supplies Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	15	4776	318.4
	OSB	158	55089	348.7
	LARGE	137	71997	525.5
92	8(a)/SDB	29	5283	182.2
	OSB	829	61474	74.2
	LARGE	271	97639	360.3
93	8(a)/SDB	41	13816	337.0
	OSB	1345	57430	42.7
	LARGE	347	78768	227.0
94	8(a)/SDB	34	9604	282.5
	OSB	821	47791	58.2
	LARGE	158	65985	417.6
95	8(a)/SDB	33	8238	249.6
	OSB	902	38373	42.5
	LARGE	149	113506	761.8

The most striking feature of Table 12.5 is the dramatic FY91-FY95 decline in OSB average contract value, from \$348,000 to \$42,000, an 88% drop. 8(a)/SDB average contract value also fell, by 22%, while LB contracts gained 45%. The shift in dollars to the LB category is significant, but overall CBC statistics suggest this may not be a result of bundling. Again, the large increase in the number of OSB contracts, which led to the dramatic drop in OSB contract size, is cause for further study. **Harm To Small Business Rating: 1 (High).**

7) Small vs. Large Business Trends in CBCs

The business category breakout of CBC percentages shows dramatic falloffs in the OSB and LB sectors, and a doubling of the CBC ratio among 8(a)/SDBs. The latter figures are probably not significant given the very small number of 8(a)/SDB contracts being considered. The bulk of the dollars and the bulk of the contracts in the Office Supplies market is with OSBs, LBs and sheltered Workshops. The 53% CBC ratio dropoff among OSBs and the 47% decline with LBs provides further evidence arguing against bundling in Office Supplies. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table 12.6: Trends In CBCs By Type of Business In The Office Supplies Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	1	363	0.3
	OSB	35	363	9.6
	LARGE	57	363	15.7
92	8(a)/SDB	4	1245	0.3
	OSB	75	1245	6.0
	LARGE	82	1245	6.6
93	8(a)/SDB	9	1779	0.5
	OSB	82	1779	4.6
	LARGE	92	1779	5.2
94	8(a)/SDB	10	1015	1.0
	OSB	50	1015	4.9
	LARGE	79	1015	7.8
95	8(a)/SDB	8	1119	0.7
	OSB	50	1119	4.5
	LARGE	82	1119	7.3

8) Trends In Counts of Business Types

In terms of counts of companies in the Office Supplies market, small businesses fared well. Both 8(a)/SDBs and OSBs were up, while the LB share of total contractors was down. These figures tend to confirm that the small business portion of the Office Supplies market has become more competitive, with increasing numbers of contracts that are worth, on average, significantly less. The 8(a)/SDB share of the market is up 54% FY91-FY95, and the OSB share is up 15%. This growth came at the expense of LBs, which saw a 24% drop in company share over the five years.

The business category analysis of Office Supplies companies suggests a growing concentration of dollars in the hands of fewer large firms, with an increasing share of small businesses chasing fewer dollars. These numbers might suggest consolidation if they were supported

with other statistics, like CBC and APC ratios. But given the preponderance of negative bundling indicators, the shrinkage of the LB proportion of all Office Supplies contractors probably has other explanations. **Harm To Small Business Rating: 0 (Low).**

Table 12.7: Trends In Counts Of Office Supplies Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	12	239	5.0
	OSB	114	239	47.7
	LARGE	103	239	43.1
92	8(a)/SDB	17	563	3.0
	OSB	391	563	69.4
	LARGE	159	563	28.2
93	8(a)/SDB	26	659	3.9
	OSB	462	659	70.1
	LARGE	185	659	28.1
94	8(a)/SDB	22	306	7.2
	OSB	168	306	54.9
	LARGE	105	306	34.3
95	8(a)/SDB	24	316	7.6
	OSB	173	316	54.7
	LARGE	110	316	34.8

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

If bundling were occurring in the Office Supplies market we would expect to see growth in business category shares of large contracts worth more than \$100,000. We see significant, 36% five-year growth in the 8(a)/SDB large contract share, modest 6.2% growth in the LB share and a dramatic decline of 82% in the OSB share.

Given the five-year growth in LB Office Supplies dollars it is somewhat surprising that large contract share only grew 6%. Many LB Office Supplies contracts must have started out large and remained so. The dramatic decline in OSB large contract share is again attributable to the tremendous growth in the number of individual contracts issued over the study period.

In the presence of other corroborating evidence, these numbers would suggest a trend toward bundling, but again, the CBC, APC and average contract statistics argue for additional explanations.

Harm To Small Business Rating: .66 (Moderate-High).

Table 12.8: Trends In Counts Of Large Contracts By Type Of Business In The Office Supplies Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	5	14	35.7
	OSB	52	155	33.5
	LARGE	64	134	47.8
92	8(a)/SDB	8	29	27.6
	OSB	104	824	12.5
	LARGE	77	269	28.6
93	8(a)/SDB	23	40	57.5
	OSB	98	1290	7.6
	LARGE	96	331	29.0
94	8(a)/SDB	18	33	54.6
	OSB	66	779	8.5
	LARGE	70	153	45.8
95	8(a)/SDB	16	33	48.5
	OSB	53	875	6.1
	LARGE	75	147	51.0

10) Ratio of New, Small Businesses Entering the Federal Marketplace

While there has been a significant fall-off in new, small business entrants into the Office Supplies market FY91-FY95, the percentage has been relatively stable for the last three years. Although down 5.2 percentage points FY94-FY95, the ratio is up slightly from FY93 levels. These figures suggest no new barriers have arisen, nor impediments worsened, over the last three years.

Harm To Small Business Rating: 1 (High).

Table 12.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Office Supplies Sector.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
338	83.5	251	51.8	112	59.0	105	53.8

11) Market Summary

Despite some unusual trends in the counts of contracts, the overall evidence does not suggest bundling is a strong factor in the Office Supplies market. Trends in CBCs, APC, average contract value and large contract shares of total contracts are all down, signs of increasing competition, not consolidation. The increasing percentage of OSBs as a share of total Office Supplies contractors also supports this.

While it is true that most of the FY91-FY95 spending increase is the result of increased dollars to large businesses, this business category, like the others, shows a declining ratio of CBCs and a relatively steady ratio of large contracts to total contracts. Increased spending, it would seem, is more the result of increased demand for focused categories types of office supplies, not a broadening of the types of items included under a contract.

The OSB contract counts need closer examination to determine why there has been such a large increase in contracts. There may be a simple explanation -- new reporting practices or possibly the institution of a small business incentive program. If it turns out that in fact individual orders on

contracts were being assigned unique contract numbers, the assessment about bundling could be altered dramatically, as this would affect APC, average contract value and, possibly, the CBC ratio. **Combined Bundled Contract/Small Business Impact Rating: 3.49 .**

M. Moving Services (FS Group V)

1) General Trends

Since spending on Moving Services fell 50% FY91-FY92, overall indicators show a relatively stable market. The large role played in Moving Services by foreign contractors and U.S. contractors performing overseas suggests that the FY91-FY92 spending fall-off was largely the result of the ending of the Cold War and the consolidation of military bases and installations. The biggest business category percentage spending drop FY91-FY95 was with U.S. contractors performing overseas, suggesting the cause as lying with the post-Cold War shrinkage of the military.

Over the five year period of the study, Moving Services spending fell 50%, but between FY92 and FY95, the decline was only 4%. Total spending has actually risen in each of the last three fiscal years. Counts of companies are down a mere 75 overall, or 5.2%, roughly in line with the drop in sector spending. Contract counts are relatively stable, having fallen only 4% FY91-FY95, again in line with spending and company count decreases.

Potential signs of bundling exist in Moving Services. While LB dollar totals have fallen over the five years of the study, they have increased 17% since FY93. 8(a)/SDB dollars have grown 126% over the same period, while OSB dollars have fallen 45%. Counts of 8(a)/SDB and LB companies have grown, along with the number of contracts awarded in each category. Counts of OSBs and their contracts have remained relatively stable. Some harm is occurring to the OSB business category in this market, and the question becomes to what extent contract bundling explains this problem.

2) CBC Trends

The FY95 CBC ratio of all Moving Services contracts is only 2% lower than the FY91 ratio, and the ratio is up slightly from FY94 to FY95. The count of CBCs is down only five over the last five fiscal years, rising a total of eight over the last three years. **Bundled Contract Rating: .5 (Moderate).**

**Table 13.1: Trends in Moving Services CBCs
FY91-95.**

FY	CBCs	CONTRACTS	CBC PCNT
91	104	1958	5.3
92	103	1994	5.2
93	91	1834	5.0
94	92	1859	4.9
95	99	1895	5.2

Contract counts exclude contracts with negative or zero net dollar values.

3) Actions Per Contract (APC) Trends

APC is down 26% between FY91-FY95, but up 13% since FY92. The contract count in FY92 differs by only 18 from FY91, suggesting the 3,500 drop in the count of actions from the previous year was mainly the result of the shrinkage of a small number of contracts. Rising APC since FY92 suggests bundling may be a growing factor in Moving Services. **Bundled Contract Rating: 0 (Low).**

Table 13.2: Trends in Actions Per Contract (APC).

FY	CONTRACTS	ACTIONS	APC
91	2009	10486	5.22
92	2027	6973	3.44
93	1884	6375	3.38
94	1891	7318	3.87
95	1925	7475	3.88

Note that here the contract count includes contracts with negative dollar totals (net de-obligations greater than net obligations), raising the contract count higher than in other tables.

4) Overall Trends in Small vs. Large Contracts

The overall large contract versus small contract numbers argue against bundling. Large contracts declined as a share of Moving Services contracts FY91-FY95 by 7.7 percentage points, or 13.3%, to the point where they constitute nearly the same share as small contracts. While the percentages of large contracts have been up and down, the dominant trend is forward reductions in large contracts and increases in small ones. **Bundled Contract Rating: 0 (Low).**

Table 13.3: Overall Trends In Large (L) And Small (S) Contracts In The Moving Services Sector

FY	SIZE	COUNT	ALL CONTS	PCNT
91	L	1133	1958	57.9
	S	825	1958	42.1
92	L	1000	1994	50.2
	S	994	1994	49.8
93	L	975	1834	53.2
	S	859	1834	46.8
94	L	1006	1859	54.1
	S	853	1859	45.9
95	L	952	1895	50.2
	S	943	1895	49.8

Large contracts are valued greater than \$100,000.

Small Contracts are valued less than \$100,000.

5) Small Business Trends in Small vs. Large Contracts

Small businesses show almost exactly the reverse trend in large contract shares than for the market as a whole. Among small businesses, large contracts grew from 44.4% to 49.4% of all

contracts, for an 11.2% total growth. This suggests that to the extent it occurs, bundling is more of a factor in small business contracting than in large business contracting. **Bundled Contract Rating: 1 (High).**

Table 13.4: Trends In Large (L) And Small (S) Contracts For Small Businesses In The Moving Services Sector.

FY	SIZE	CNT	CONTRACTS	PCNT
91	L	401	903	44.4
	S	502	903	55.6
92	L	455	1003	45.4
	S	548	1003	54.6
93	L	453	893	50.7
	S	440	893	49.3
94	L	492	926	53.1
	S	434	926	46.9
95	L	456	924	49.4
	S	468	924	50.6

6) Contract and Dollar Trends by Business Type

Table 13.5: Trends In Contract Counts, Total Revenues And Average Contract Size By Type Of Business In The Moving Services Sector.

FY	BUS TYPE	CONTRACTS	\$ (000)	AVG(\$000)
91	8(a)/SDB	95	26467	278.6
	OSB	824	521535	632.9
	LARGE	395	3112921	7880.8
92	8(a)/SDB	111	50616	456.0
	OSB	910	412964	453.8
	LARGE	440	1682430	3823.7
93	8(a)/SDB	103	29142	282.9
	OSB	799	317591	397.5
	LARGE	411	1583286	3852.3
94	8(a)/SDB	90	66230	735.9
	OSB	841	378040	449.5
	LARGE	455	1753664	3864.2
95	8(a)/SDB	116	60021	517.4
	OSB	818	288184	352.3
	LARGE	486	1859561	3826.3

Only 8(a)/SDBs show overall growth in average contract size FY91-FY95, and it was significant at 85%. However, OSBs, the dominant business category in terms of numbers of contracts received, saw average contract value plummet 44%. LBs, which commanded 77% of the Moving Services market revenues in FY95, saw average contract values fall 51%. Since bundling theoretically leads to rising average contract values, only the 8(a)/SDB sector, representing a small fraction of the total market, shows signs of bundling with these statistics. **Harm To Small Business Rating: .33 (Moderate-Low).**

7) Small vs. Large Business Trends in CBCs

The CBC business category breakout confirms our earlier observation about large contract shares among small businesses. Both the 8(a)/SDB and OSB business categories show CBC share growth, while CBCs appear to be playing a declining role among LBs. The CBC ratio is up 50% in the 8(a)/SDB category FY91-FY95 and up 71% in the OSB category.

However, small business Moving Services numbers, particularly the OSBs, do not fit the classic pattern of stable or rising revenues with shrinking numbers of increasingly valuable contracts. OSB revenues are in decline, and total numbers of participating firms fell only by 8 over the last five fiscal years. Total contracts issued numbered only 6 fewer in FY95 than in FY91.

Given that OSB dollars have declined dramatically in this market during the study period, the harm caused by bundling would likely be by the larger OSBs at the expense of the smaller OSBs. In other words, the OSB business category appears to be in competition with itself. Although CBC shares rose among 8(a)/SDBs, so did total dollars and numbers of participating businesses, making industry concentration less apparent here. LB CBC share is down 17% FY91-FY95, suggesting LBs are not a source of bundling. **Harm To Small Business Rating: .66 (Moderate-High).**

Table 13.6: Trends In CBCs By Type Of Business In The Moving Services Sector.

FY	BUS TYPE	CBCs	CONTRACTS	PCNT
91	8(a)/SDB	8	1958	0.4
	OSB	27	1958	1.4
	LARGE	56	1958	2.9
92	8(a)/SDB	6	1994	0.3
	OSB	43	1994	2.2
	LARGE	52	1994	2.6
93	8(a)/SDB	6	1834	0.3
	OSB	28	1834	1.5
	LARGE	53	1834	2.9
94	8(a)/SDB	8	1859	0.4
	OSB	28	1859	1.5
	LARGE	51	1859	2.7
95	8(a)/SDB	12	1895	0.6
	OSB	45	1895	2.4
	LARGE	46	1895	2.4

8) Trends In Counts of Business Types

Because of the fall-off in numbers of participating foreign contractors, the three major business categories all increased their share of participating Moving Services FY91-FY95. Absolute numbers in each category saw only small changes up and down over the five years, but the decline in the number of Foreign Contractors and U.S. Contractors performing overseas reduced the total number of participating Moving Services firms, leading to the increased business category shares. Although 8(a)/SDBs increased their share by 28%, these figures are not terribly significant in view of the cause. Analysis of shares of participating companies by business category does not suggest

significant harm to small businesses participating in Moving Services. **Harm To Small Business Rating: .33 (Moderate-Low).**

Table 13.7: Trends In Counts of Moving Services Companies By Type Of Business.

FY	BUS TYPE	COUNT	ALL COMPS	PCNT
91	8(a)/SDB	71	1438	4.9
	OSB	608	1438	42.3
	LARGE	303	1438	21.1
92	8(a)/SDB	101	1568	6.4
	OSB	746	1568	47.6
	LARGE	365	1568	23.3
93	8(a)/SDB	91	1609	5.7
	OSB	702	1609	43.6
	LARGE	371	1609	23.1
94	8(a)/SDB	76	1376	5.5
	OSB	643	1376	46.7
	LARGE	320	1376	23.3
95	8(a)/SDB	93	1363	6.8
	OSB	598	1363	43.9
	LARGE	332	1363	24.4

9) Small vs. Large Business Trends in Large Contracts (over \$100,000)

Table 13.8: Trends In Counts Of Large Contracts By Type Of Business In The Moving Services Sector.

FY	BUS TYPE	COUNT	CONTRACTS	PCNT
91	8(a)/SDB	41	94	43.6
	OSB	360	809	44.5
	LARGE	250	374	66.8
92	8(a)/SDB	46	107	48.0
	OSB	411	898	45.8
	LARGE	263	437	60.2
93	8(a)/SDB	53	102	52.0
	OSB	400	791	50.6
	LARGE	261	407	64.1
94	8(a)/SDB	57	88	64.3
	OSB	435	638	51.9
	LARGE	290	449	64.6
95	8(a)/SDB	62	114	54.4
	OSB	396	813	48.7
	LARGE	291	478	60.9

Small businesses show growth and large businesses shrinkage in large contract shares in Moving Services. 8(a)/SDB large contract share grew 25% FY91-FY95 and OSB share grew a more modest 9.4%. LB large contract share shrank 8.8%. This confirms earlier observed trends in large versus small contracts for small businesses and suggests contract consolidation is occurring among

small businesses. However, because overall numbers of contracts are growing along with large contract shares, we do not treat this measure's small business trends as negatives. **Harm To Small Business Rating: 0 (Low).**

10) Ratio of New, Small Businesses Entering the Federal Marketplace

The fall in new, small business entrants into Moving Services is a final indicator that small firms are potentially experiencing barriers to entry into the market. Even though small business revenue overall is down, the number of small businesses has remained relatively stable. The declining percentage is directly a result of falling numbers of new, small businesses. **Harm To Small Business Rating: 1 (High).**

Table 13.9: Trends In Numbers And Percentages Of New, Small Businesses Entering The Moving Services Market.

NEW SBs FY92	FY92 PCNT	NEW SBs FY93	FY93 PCNT	NEW SB FY94	FY94 PCNT	NEW SBs FY95	FY95 PCNT
492	59.0	452	57.4	379	53.2	306	44.9

11) Market Summary

Signals regarding bundling in Moving Services are mixed. On the one hand, business and contract counts are relatively stable. Small business share of the total number of participating firms rose slightly, but mainly as a result of declines in the number of overseas Moving Services contractors. Market revenues have been relatively stable since FY92. The CBC ratio overall was almost unchanged over the FY91-FY95 period, falling only one-tenth of a percentage point, and APC was down significantly. Average contract value was down significantly for OSBs and LBs.

On the other hand, the CBC ratio is up among small businesses, including both 8(a)/SDBs and OSBs, as is small business large contract share. Despite the growing share of participating small businesses, new small Moving Services businesses are disappearing. Their share of all small businesses has declined 24% in the last four years.

In Moving Services, bundling apparently is occurring among small businesses, however they appear to be in competition with themselves for these contracts. This would tend to work to the advantage of the larger OSBs and to the disadvantage of the smallest ones. **Combined Bundled Contract/Small Business Impact Rating: 3.82.**

V. Conclusion

A. Contract Consolidation

As the federal market shrinks, overall trends show clear signs that contracts are being consolidated. Actions Per Contract, average contract size and shares of contracts over \$100,000 are all up. The small business share of all federal contractors is down, but the small business dollar share of all awards is up, primarily as a result of increased awards to 8(a)/SDBs. In short, less money is going to fewer contractors via fewer contract vehicles leading to a gradual consolidation of contracting activity among larger firms.

Approximately half the industries studied as part of this analysis show moderate to strong signs of bundling. These industries include: Ship Repair, Architecture And Engineering; Hospital and Pharmaceutical Supplies; Food Services; Construction; and Facilities Maintenance. Several sectors showing strong signs of bundling, including Ship Repair, Architecture and Engineering, Hospital and Pharmaceutical Supplies and Facilities Maintenance have strong defense components. Most sectors are service-oriented.

B. Harm To Small Businesses

The combined small business share of the number of awarded contracts has declined steadily since FY92, although small business dollar share is up. This suggests contract consolidation among small businesses. In fact, we have seen extensive gains among 8(a)/SDBs over the study period. Most of the impact of consolidation is falling on OSBs, which saw their dollars fall 16% and their market share drop from 12.9% to 11.9%.

As trends toward contract consolidation have strengthened, many 8(a)/SDBs have benefited from the trend. This usually happens where sector spending is up overall and 8(a)/SDB CBC share is growing along with their revenues and counts of contracts. An OSB CBC share, revenue and contract count decline often accompanies this trend. In some markets, OSBs have benefited from CBCs. Modest CBC benefits to OSBs appear in Construction and Renovation, Architecture and Engineering Services, ADP Services and ADP Manufacturing.

If contract consolidation harmed small business, we would ultimately expect to see a drop in the number of small business participants in the federal marketplace. Signs of this problem are emerging. Between FY91 and FY95, the federal government experienced a net loss of 4,200 companies from the federal marketplace. This can be explained almost entirely by the loss of 7,000 OSBs. OSB share of the total number of contractors shrank 5.6 percent, from 57.1% to 51.5%. Both 8(a)/SDBs and LBs grew their share of the contractor count over this period.

ADP Services and ADP Manufacturing are ranked relatively low on the Bundled Contract/Harm To Small Business table given recent trends in the awarding of large, government-wide contracts (Desktop V, ITOPS, Image World, CIOSP, CERTAN, etc.). The reason for the weakness of the CBC indicators in these markets may be that the study period for this analysis ended in September, 1995, several months before many of these large information technology contracts were awarded. For information technology and for other markets, fiscal year 1996 statistics might reveal more occurrences of bundling. Another factor may be that small businesses are not winning much money on these contracts despite their wide publicity.

C. Impact of Rising Small Purchase Threshold

The government's intent in raising the small purchase threshold to \$100,000 is to give agencies incentives to take advantage of new, electronic methods of procurement and to make the process of awarding small contracts faster and more efficient. Because small contracts must still be competed among small businesses, the increased threshold theoretically allows for larger small business contracts to be awarded by much faster electronic means.

However, a growing number of small purchases require electronic commerce capability, which many small businesses do not possess. Small businesses may be leaving the federal marketplace because of the perceived inconvenience and expense of doing business electronically.

As noted, the data for this analysis show that in every market, the rate of new, small business participants has declined over the last four years. Overall, new small businesses fell as a share of all small businesses from 57.6% in FY92 to 43% in FY95. Most of the markets studied saw roughly similar percentage declines, but in Office Supplies, new, small businesses dropped from 83% of all small firms in FY92 to 53.8% in FY95. We have suggested that bundling only partially explains this trend in view of the fact it appears strong in markets where there are both strong and weak signs of bundling. Electronic commerce may be another such barrier.

Furthermore, this larger small purchase threshold makes it easier for procurement officers to break larger contracts up into a series of smaller, speedier purchases to avoid the cost and delay of issuing an RFP. This is the procurement "flip side" of bundling, where instead of combining diverse actions into one procurement, a large contract is broken down into a series of smaller actions. Regulations prohibit breaking a large contract up into small purchases, but concerns over potential abuses exist.

Could the new, small purchase threshold encourage bundling of small purchases in amounts under \$100,000 in the name of administrative efficiency? While this may be going on, the effects are difficult to measure. Small purchase data tends to be under-reported to start with. Furthermore, because commodity small purchases would tend to be similar in nature and not be identified as bundled by the CBC definition used in this analysis, the ability to systematically track these contracts is limited.

Such an analysis of contracts worth between \$25,000 and \$100,000 could be accomplished by studying contract values in \$25,000 increments (\$25,000-\$50,000, \$50,000-\$75,000, etc.) over time. Given the time required for this kind of analysis, we judged it to be outside the scope of this report.

D. Recommendations

1. Conduct case study analyses of companies in the five industries where bundling is a significant trend that appears to be harming small businesses.
2. Identify and survey contract officers administering 10 largest CBCs in each agency. Confirm practice of bundling and generate suggestions for strengthening small business role in a market or agency.

3. Add a reporting requirement on the DD-350 and SF-279 forms that indicates whether a newly awarded contract combined requirements from previously separate contracts. This would facilitate future bundled contract analyses.
4. Conduct a survey of small businesses about their experience with electronic commerce. Identify small businesses that have left the federal market and identify reasons for leaving.
5. Conduct a study of payout patterns on small contracts among small businesses to determine the extent of contract dis-aggregation.
6. Update this study annually.

VI. Appendix Tables



FY91-95 PRIME CONTRACT DOLLARS, COUNTS OF COMPANIES AND CONTRACTS BY BUSINESS TYPE, PREFERENCE PROGRAM AND KIND OF CONTRACT

OVERALL STATISTICS

Type of Business	FY91			FY92			FY93			FY94			FY95		
	\$000	DUNS	Contr	\$000	DUNS	Contr	\$000	DUNS	Contr	\$000	DUNS	Contr	\$000	DUNS	Contr
Not Coded	156,549,540			182,121,188	95,776	200,702	177,931,199	76,244	179,974	179,336,872	74,623				
Small Business - Disadvantaged	9,183,246	1,513	3,930	7,123,046	1,802	3,030	9,247,708	1,471	3,452	10,537,702	1,670	3,415			
Other Small Business	25,426,725	49,735	13,432	20,857,573	58,940	102,453	20,022,345	45,178	86,306	21,901,135	47,701	101,001			
Large Business	124,222,375	18,000	13,540	127,649,720	23,955	57,831	121,436,905	19,804	52,783	116,716,070	21,266	52,626			
Sheltered Workshop	381,920	373	510	445,768	452	1,132	468,992	451	1,215	455,340	477	1,034			
Nonprofit Education Org	3,154,740	920	2,017	2,987,660	1,243	2,939	3,104,622	1,105	2,626	2,803,736	1,151	2,667			
Nonprofit Hospital	860,524	171	215	104,943	212	289	68,975	173	245	67,624	202	285			
Other Nonprofit Organization	47,523,338	17,338	3,317	4,862,003	1,451	2,543	4,825,381	1,312	2,319	4,395,473	1,267	1,856			
State/Local Govt - Educational	5,022,248	163	1,133	3,388,268	541	1,120	2,879,645	413	942	2,783,074	365	1,061			
State/Local Govt - Hospital	17,352	10	13	27,942	88	177	33,791	79	202	40,726	106	269			
Other State/Local Government	355,418	173	241	823,777	1,432	3,347	625,993	1,143	2,859	341,641	1,061	1,908			
Foreign Contractor	5,024,572	1,072	1,411	4,053,419	4,668	7,486	4,083,725	4,306	6,980	4,308,747	4,303	6,853			
U.S. Contractor - Foreign Pref	2,383,318	1,113	1,353	1,822,640	1,194	1,804	1,823,597	916	1,373	2,301,773	1,040	1,363			
Preference Program															
Not Coded	9,183,246	1,513	3,930	7,123,046	1,802	3,030	9,247,708	1,471	3,452	10,537,702	1,670	3,415			
Sheltered Workshop	381,920	373	510	445,768	452	1,132	468,992	451	1,215	455,340	477	1,034			
8(a) Program	334,326	320	766	261,692	337	897	326,051	371	984	355,132	402	1,095			
LSA/Small Business Set-Aside	4,188,054	2,432	2,253	4,986,866	3,320	7,893	5,554,903	2,943	9,218	6,320,645	2,711	11,012			
Small Business Set-aside	1,212,179	1,627	1,640	295,656	2,083	2,843	179,041	1,429	2,168	179,497	1,771	1,649			
LSA Set-aside	6,000,349	15,193	14,893	6,283,469	16,119	24,568	6,262,041	13,625	22,064	6,511,094	12,940	22,333			
Tie-bid Preference	10,042,215	244	1,044	938,342	1,658	1,959	1,566,623	2,697	3,196	1,451,815	2,350	2,713			
Buy Indian/Self Determination	18,985	20	20	9,733	9	9	5,654	15	15	6,377	12	12			
Mo Pref Program or Not Listed	178,533	753	2,253	810,146	873	2,401	517,732	500	1,858	210,313	483	857			
Kind of Contract	2,812,960	11,711	1,053	161,412,174	79,074	158,962	154,241,246	62,332	138,217	154,007,741	61,217	127,883			
Initial Letter Contract	2,072,397	2,510	2	2,894,938	1,184	1,369	2,170,742	994	1,158	2,348,163	1,052	1,063			
Defin Contract Superseded Letter	1,561,745	7,111	1	1,681,254	580	674	2,825,567	504	568	3,108,258	477	394			
New, Definitive Contract	55,467,246	49,411	1,015	41,548,638	43,814	82,009	39,680,294	34,878	71,567	42,443,627	33,246	69,702			
Small Purchase Proceed, FAR 13	124,493	117,005	1	154,162	13,039	28,155	132,773	11,011	22,337	127,616,319	10,628	19,161			
Indefinite Delivery - IDC	20,366,002	3,010	1	19,681,864	19,433	31,893	24,676,584	17,976	34,037	27,349,263	19,977	32,777			
Basic Ordering Agrmnt - BOA	1,731,160	1,010	1	6,232,496	7,298	8,746	5,135,792	4,076	4,831	6,790,744	2,223	5,004			
Order/Mod Under Fed Schedule	1,591,760	1,227	1	1,706,109	5,755	3,189	1,736,073	4,491	2,859	2,354,817	3,863	3,863			
Mod to Letter, Defin or Order	10,003,248	28,118	1,210	109,108,256	33,456	61,356	102,071,264	29,284	59,063	95,917,113	26,185	59,063			
Termination for Default	525,026	271	110	-246,422	343	394	-72,438	247	298	58,107	389	207			
Termination for Convenience	803,156	372	1,650	-640,108	1,409	1,698	-425,472	1,258	1,626	33,224	1,190	1,112			



TABLE A: FY91-95 PRIME CONTRACT DOLLAR TOTALS, COMPANY AND CONTRACT CO. CONSTRUCTION MARKET

	FY91		FY92		FY93		FY94		FY95	
	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS
Overall Totals	\$ 13,048,326	24,234	\$ 13,048,326	46,403	\$ 16,354,274	20,509	\$ 16,354,274	46,003	\$ 16,354,274	46,003
Not Coded										
Small Business - Disadvantaged	\$ 226,861	58	\$ 226,861	136	\$ 157,630	40	\$ 157,630	84	\$ 157,630	84
Other Small Business	\$ 1,642,430	3,209	\$ 1,642,430	6,585	\$ 2,624,210	3,039	\$ 2,624,210	7,923	\$ 2,624,210	7,923
Large Business	\$ 4,683,206	19,816	\$ 4,683,206	34,127	\$ 4,491,992	15,560	\$ 4,491,992	31,953	\$ 4,491,992	31,953
Sheltered Workshop	\$ 5,985,924	2,328	\$ 5,985,924	3,601	\$ 8,346,743	2,146	\$ 8,346,743	4,189	\$ 8,346,743	4,189
Nonprofit Education Org	\$ 902	4	\$ 902	4	\$ 4,647	6	\$ 4,647	8	\$ 4,647	8
Other Nonprofit Organization	\$ 985	4	\$ 985	5	\$ 1,487	6	\$ 1,487	5	\$ 1,487	5
State/Local Govt - Educational	\$ 7,662	16	\$ 7,662	19	\$ 16,502	12	\$ 16,502	17	\$ 16,502	17
State/Local Govt - Hospital	\$ 7	2	\$ 7	4	\$ 2	1	\$ 2	1	\$ 2	1
Other State/Local Government	\$ 340	3	\$ 340	4	\$ 42	1	\$ 42	1	\$ 42	1
Foreign Contractor	\$ 42,330	57	\$ 42,330	77	\$ 22,845	51	\$ 22,845	73	\$ 22,845	73
U.S. Contractor - Foreign Perf	\$ 372,259	958	\$ 372,259	1,926	\$ 612,757	851	\$ 612,757	2,005	\$ 612,757	2,005
	\$ 75,420	57	\$ 75,420	82	\$ 75,417	33	\$ 75,417	33	\$ 75,417	33



TABLE B: FY91-95 PRIME CONTRACT DOLLAR TOTALS, COMPANY AND CONTRACT CO.

SHIP REPAIR MARKET

	FY91		FY92		FY93		FY94		FY95	
	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS
Overall Totals	1,916,282	811	1,916,282	811	1,887	811	1,887	811	1,887	811
Type of Business										
Not Coded										
A Small Business - Disadvantaged	23,337	7	23,337	7	7	7	7	7	7	7
B Other Small Business	32,769	43	32,769	43	79	43	79	43	79	43
C Large Business	734,267	572	734,267	572	1,384	572	1,384	572	1,384	572
D Sheltered Workshop	1,084,668	148	1,084,668	148	302	148	302	148	302	148
L Foreign Contractor	118	1	118	1	1	1	1	1	1	1
M U.S. Contractor - Foreign Perf	39,170	93	39,170	93	147	93	147	93	147	93
	1,963	8	1,963	8	7	8	7	8	7	8



TABLE D: FY91-95 PRIME CONTRACT DOLLAR TOTALS, COMPANY AND CONTRACT CO REFUSE SERVICES (COLLECTION, WASTE TREATMENT & STORAGE, PSCs S205, S222)

Type of Business	FY91			FY92			FY93			FY94			FY95					
	\$000	DUNS	Contr	\$000	DUNS	Contr	\$000	DUNS	Contr	\$000	DUNS	Contr	\$000	DUNS	Contr			
Not Coded	\$			\$	1,080	1,459	\$	190,476	1,146	1,629	\$	190,476	1,146	1,629	\$	190,476	1,146	1,629
A Small Business - Disadvantaged	\$	3	3	\$	1,035	3	\$	342	2	2	\$	342	2	2	\$	342	2	2
B Other Small Business	\$	106	149	\$	27,144	149	\$	26,856	88	134	\$	26,856	88	134	\$	26,856	88	134
C Large Business	\$	638	829	\$	64,765	829	\$	74,577	682	926	\$	74,577	682	926	\$	74,577	682	926
D Sheltered Workshop	\$	262	341	\$	40,614	341	\$	57,746	330	441	\$	57,746	330	441	\$	57,746	330	441
G Other Nonprofit Organization	\$	2	2	\$	1,194	2	\$	1,875	3	3	\$	1,875	3	3	\$	1,875	3	3
H State/Local Govt - Educational	\$			\$			\$	425	5	4	\$	425	5	4	\$	425	5	4
J State/Local Govt - Hospital	\$			\$			\$	5	1	1	\$	5	1	1	\$	5	1	1
K Other State/Local Government	\$	13	19	\$	520	19	\$	269	2	2	\$	269	2	2	\$	269	2	2
L Foreign/Contractor	\$	93	122	\$	30,487	122	\$	27,436	70	98	\$	27,436	70	98	\$	27,436	70	98



TABLE E: FY91-95 PRIME CONTRACT DOLLAR TOTALS, COMPANY AND CONTRACT CO. FACILITIES MAINTENANCE (PSC S216, SIC 8744)

	FY91		FY92		FY93		FY94		FY95	
	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS
1. Overall Projects										
2. Type of Business										
Not Coded										
A Small Business - Disadvantaged		17	70,221	17			84,630	12		
B Other Small Business		184	308,053	184	240		354,866	227	320	
C Large Business		298	186,768	298	350		250,345	283	390	
D Sheltered Workshop		267	6,819,553	267	395		6,995,397	286	449	
E Nonprofit Education Org		12	4,952	12	14		4,536	8	6	
F Nonprofit Hospital		19	14,047	19	19		30,546	9	10	
G Other Nonprofit Organization		2	703	2	4		1,066	1	8	
H State/Local Govt - Educational		21	74,418	21	41		57,743	18	24	
K Other State/Local Government		7	25,109	7	8		32,772	9	10	
L Foreign Contractor		31	35,570	31	48		11,499	15	17	
M U.S. Contractor - Foreign Perf		48	84,143	48	74		51,393	51	62	
		26	314,011	26	36		232,867	16	22	



TABLE G: FY91-95 PRIME CONTRACT DOLLAR TOTALS, COMPANY AND CONTRACT CO FOOD SERVICES (PSC S203)

Contract Code	Type of Business	FY91		FY92		FY93		FY94		FY95	
		\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS
	Not Coded										
A	Small Business - Disadvantaged		1		1		1		1		1
B	Other Small Business	21,383	10	196,848	115		229		90		196
C	Large Business			84,557	65		85		80,185		87
D	Sheltered Workshop			21,371	19		23		13,626		21
E	Nonprofit Education Org			20,937	26		27		37,499		32
F	Nonprofit Hospital			43	1		1		168		3
G	Other Nonprofit Organization			535	1		1		126		1
K	Other State/Local Government			495	1		1		373		2
L	Foreign Contractor	9,226	0	9,416	21		24		11,401		18
M	U.S. Contractor - Foreign Perf	436	0	3,189	3		5		3,566		3
				\$ 338,246	246		396		\$ 324,666		364



TABLE I: FY91-95 PRIME CONTRACT DOLLAR TOTALS, COMPANY AND CONTRACT CO. ADP MANUFACTURING (FS GROUP 70)

Type of Business	FY91		FY92		FY93		FY94		FY95		
	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS	\$000	DUNS	
Net Coded											
A Small Business - Disadvantaged	\$ 70,868	45	\$ 70,868	45	\$ 70,868	45	\$ 70,868	45	\$ 70,868	45	
B Other Small Business	\$ 454,965	473	\$ 454,965	473	\$ 454,965	473	\$ 454,965	473	\$ 454,965	473	
C Large Business	\$ 686,851	1,951	\$ 686,851	1,951	\$ 686,851	1,951	\$ 686,851	1,951	\$ 686,851	1,951	
D Sheltered Workshop	\$ 3,316,063	1,951	\$ 3,316,063	1,951	\$ 3,316,063	1,951	\$ 3,316,063	1,951	\$ 3,316,063	1,951	
E Nonprofit Education Org	\$ 441	5	\$ 441	5	\$ 441	5	\$ 441	5	\$ 441	5	
G Other Nonprofit Organization	\$ 2,479	4	\$ 2,479	4	\$ 2,479	4	\$ 2,479	4	\$ 2,479	4	
H State/Local Govt. - Educational	\$ 2,845	10	\$ 2,845	10	\$ 2,845	10	\$ 2,845	10	\$ 2,845	10	
I State/Local Govt. - Hospital	\$ 371	3	\$ 371	3	\$ 371	3	\$ 371	3	\$ 371	3	
J Other State/Local Government	\$ 203	4	\$ 203	4	\$ 203	4	\$ 203	4	\$ 203	4	
K Foreign Contractor	\$ 481	4	\$ 481	4	\$ 481	4	\$ 481	4	\$ 481	4	
L U.S. Contractor - Foreign Perf	\$ 15,842	61	\$ 15,842	61	\$ 15,842	61	\$ 15,842	61	\$ 15,842	61	
M	\$ 29,305	46	\$ 29,305	46	\$ 29,305	46	\$ 29,305	46	\$ 29,305	46	
Total	\$ 4,580,204	4,113	\$ 4,580,204	4,113	\$ 4,580,204	4,113	\$ 4,580,204	4,113	\$ 4,580,204	4,113	
Contract	5,838	54	5,838	54	5,838	54	5,838	54	5,838	54	

