

engineering **management**

# the biggest customer

A standing contract can set up an engineering firm as a supplier to the federal government.

by Dave Alexander

In an uncertain economy, the federal government can be a reliable source of revenues—often with good margins. Many savvy engineering firms enter the federal market through the General Services Administration's roster of approved contractors.

Under its Professional Engineering Services program, GSA maintains a stable of engineering firms, ranging from small niche shops to some of the nation's largest companies. Each firm has negotiated a contract with GSA, with a set of approved hourly rates, which escalate over time, and a five-year initial period of performance, with an option for five more years. Any federal agency can order services from these firms using streamlined procedures, with no dollar limit on any individual project or group of projects.

GSA has a standing request for proposals that can lead to these contracts. Firms may submit proposals at any time, offering any services in which they have expertise, from strategic planning for technology programs through systems design, integration, and logistical support.

Federal departments and agencies can skip many of the tedious steps typically involved in federal procurements, because GSA already has satisfied key legal requirements.

Agencies can issue a task order, and have the firm begin work

within a few weeks. It is not uncommon for a federal department to require a year or more to put a traditional contract in place.

In an era when federal spending on engineering services has been relatively flat, firms that have won GSA contracts now command more than \$1 billion per year in federal billings for engineering services for Uncle Sam. Many of these firms are relatively small and do not have offices in the Washington, D.C., area.

To obtain a spot on GSA's roster, firms have to respond to a lengthy request for proposal. If the proposal is complete in all respects, GSA typically will award a contract within about four months.

Some sections of the RFP are relatively easy—for example, providing examples of work performed for private or public-sector clients. Other sections are hard for nonexperts to fathom.

Consider this excerpt from the pricing instructions: "The term 'discount' is as defined in solicitation clause 552.212-70É. Indicate the best discount (based on your written discounting policies or standard commercial discounting practices if you do not have written discounting policies) at which you sell to the customer or category of customer identified in column 1, without regard to quantity, terms and conditions of the agreements under which the discounts are given."

Strategic errors, particularly in pricing, can have negative repercussions for the subsequent contract. With the assistance of an experienced consultant, most firms can prepare a proposal within approximately four weeks.

After winning a contract award, an engineering firm is free to market its services to all federal agencies and departments. Engineering contractors have performed services ranging from a single task order for under \$10,000 to multiple task orders accounting for more than \$10 million in annual revenues.

Engineering firms have to shoulder certain administrative requirements associated with their GSA contracts. For example, each participating firm is required to periodically remit an "Industrial Funding Fee" to GSA, equal to one percent of the firm's gross sales under the contract. The good news is that GSA's contractors can include the one percent markup on top of their

approved rates.

Many engineering firms find GSA contracts to be excellent sources of revenues and profits. Winning a GSA contract can be difficult, but any firm interested in providing engineering services for federal programs should consider taking the opportunity.

*Dave Alexander's company, Lincoln Strategies in Carlisle, Mass., consults professional services firms marketing to the federal government. He is the author of A Guide to Winning Federal Government Contracts for Architectural, Engineering, Consulting, and Environmental Firms (2002: ZweigWhite Publishers).*

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