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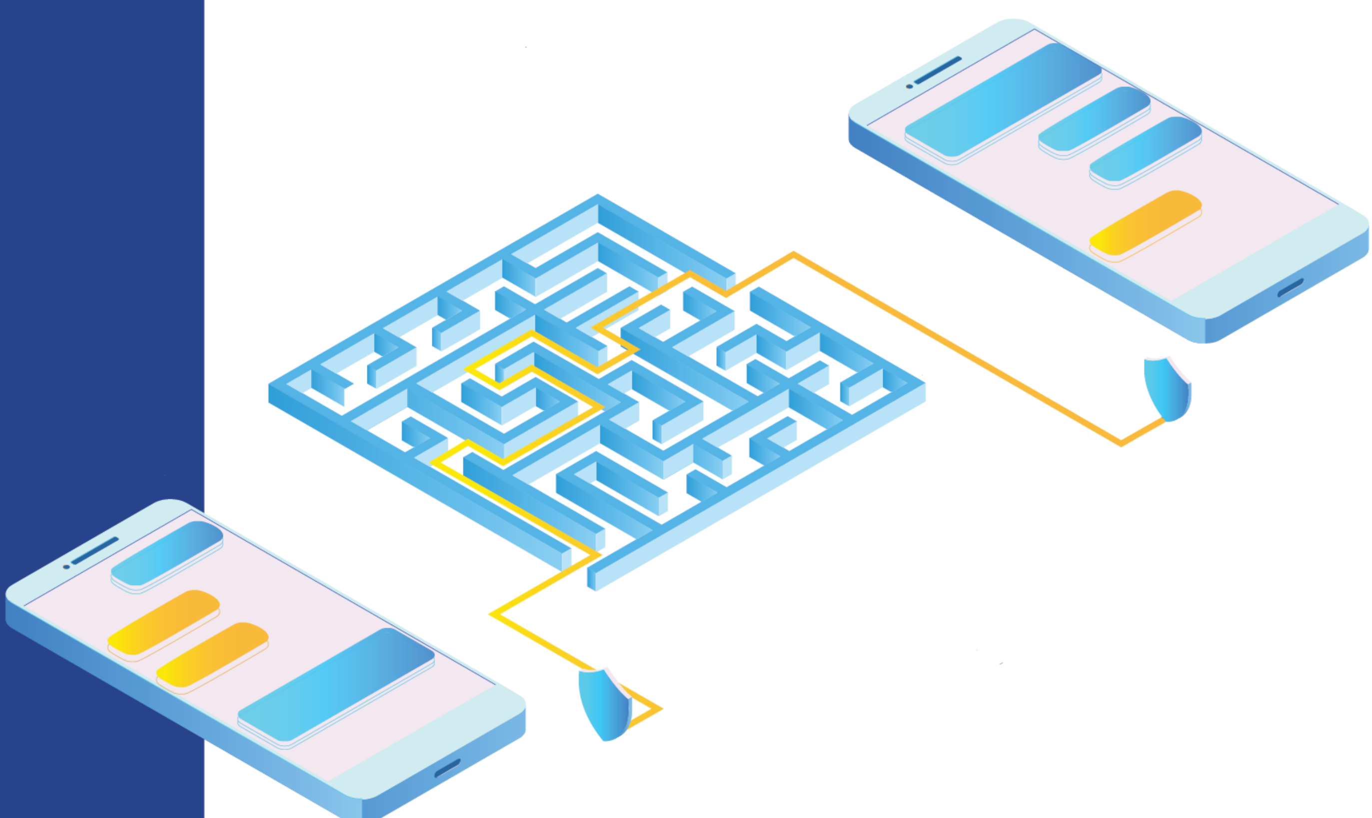
# Defeating Vendor Lock-in and Gaining Buying Power:

## Why the U.S. Government Must Consolidate Expertise to Fix its Broken Software Procurement System

*By Michael Garland*



# Table of Contents

# About the Author

Michael Garland is a software and government procurement industry expert. His career includes executive leadership roles in large IT companies like Siemens Enterprise Communications. Garland has a JD as well as an LLM in Government Procurement from George Washington University School of Law. Since 2015, he has run Garland LLC, a consulting firm that provides advisory and litigation services for topics focused on government acquisition. Garland has also supported digital modernization at federal agencies including GSA, DOD, USDA, HUD, OPM, and DoJ. Garland's advice has been sought by industry, the Congressionally mandated 809 panel, and a variety of Executive Branch leaders, including the Office of Federal Procurement Policy (OFPP) at OMB. Additionally, he testifies as an expert in government contracts litigation. Garland frequently publishes on procurement related topics in Next/Gov Federal Computer Week and has appeared on the syndicated television show "Government Matters." His website contains more detail at www.garlandconsult.com. Garland also thanks NetChoice for their support in the development of this paper.

# Executive Summary

The federal government has hemorrhaged billions of taxpayer dollars for years due to a commercial software procurement system that is disjointed, opaque, and structurally biased in favor of entrenched vendors. The industry is dominated by a handful of software giants—Microsoft, Adobe, Oracle, Salesforce, and ServiceNow—and incumbency bias has locked agencies into overpriced software agreements handed out with little to no genuine competition. It's an astonishing state of affairs considering the US government is the world's largest consumer of commercial software, probably spending about $20 billion annually.[1]

Microsoft, the federal software supplier, alone receives about $5 billion a year in awards without the threat of ever losing a deal.

**Robust competition, the competition that is currently missing, could easily save the government fifteen percent, perhaps $3 billion a year annually.**

At the heart of the problem is not just aggressive strategies by vendors—but a self-inflicted wound. For years, agencies have operated in silos, repeated the same inefficient purchases, and justified sole-source or "brand name or equivalent" deals that effectively blocked alternatives from even being considered. Overwhelmed federal IT buyers renewed legacy software brands by default, not by design. The result "zombie competitions" that appeared legal but were functionally meaningless. The incumbent brand always won.

The scale of the waste is remarkable. One contract by the U.S. Department of Veterans Affairs commits $4.7 billion to Microsoft over five years—

[1] $20 billion of total spend on software is best guess approximation, the data is too inconsistent to know for sure. The inability to get a precise spend total is detailed in the paper.

largely to repurchase software it has used for decades.

**The VA's previous Microsoft contract for $1.6 billion averaged $533 million a year, while their new contract obligates $940 million a year. The VA's spending on Microsoft has almost doubled in only three years.**

Worse, most agencies haven't fully known what software they have owned or used for a long time. $20 billion spent, but on what? U.S. Government Accountability Office reports confirm this systemic failure: no federal agency can accurately match what it has purchased with what is deployed or needed. There are no itemized receipts, no central databases, no unified price benchmarks. As part of its efforts to root out government waste, the Trump Administration recently found that the prices Government Agencies have paid for Microsoft Office 365 could vary by $200 per user between agencies.[2] Meanwhile, Microsoft's federal revenue appears to have grown almost three hundred percent since 2015, while their overall corporate revenue only grew 162 percent for the same period. This isn't just poor management—it's a crisis of accountability ripe for disruption and taxpayer savings.

The solution is straightforward and urgent: it's time for the government to go pro. It's time to remake the legacy federal contracting system to increase competition and end past waste once and for all.

What's needed is for the General Services Administration to build on the Trump Administration's OneGov Strategy and other efforts that have already saved billions with a concentrated effort, centrally funded by Congress, to SAVE (Software Accountability, Value, and Efficiency). SAVE would centralize commercial software acquisition expertise, standardize licensing and pricing across agencies, build a unified inventory and usage database and deploy brand-specific supplier managers. At the same time the government is identifying waste and inefficiency, SAVE can help restore true competition to procurement by requiring interoperability between software and cloud providers and agencies to use multiple vendors, even in a minority stake.

## Vendor lock-in is not destiny—it's a choice.

The government can loosen vendor-lock's grip. But only if it consolidates its talent, collects its data, and professionalizes its software procurement.

It's time to turn pro.

[2] See, *Fact Sheet, President Donald J. Trump Eliminates Waste and Saves Taxpayer Dollars by Consolidating Procurement,* available at https://www.whitehouse.gov/fact-sheets/2025/03/fact-sheet-president-donald-j-trump-eliminates-waste-and-saves-taxpayer-dollars-by-consolidating-procurement/

# Vendor Lock-in

A small group of commercial software giants with vast market power have been extracting non-competitive price premiums from the U.S. federal government for years.[3] In 2023, I estimated that the government could save $750 million annually by increasing competition.[4] After working directly with the government on software acquisition in the intervening years, I now believe that number badly under-represents the actual savings that could be available through competition. If the government could introduce authentic competition into its annual $20 billion a year software expenditures, prices could fall by at least fifteen percent or $3 billion annually, possibly more.

The marginal costs for software vendors to add customers is negligible, making enormous discounts routinely available under the proper circumstances. But not without competition. Current pricing disparities between Microsoft and Google alone could account for $2 billion in annual savings for just one product set.[5]

Sadly, **federal agencies in the past have been complicit in their own victimization**. As a result, noncompetitive pricing for the top software brands has likely cost tens of billions of dollars in unused and duplicative licenses, support contracts and more. It's been caused by a longstanding, deeply rooted laissez-faire approach to software acquisition and deployment, inattention to pricing details, market limitations on authentic competition, bureaucratic inertia, and the failure to create an appropriately resourced governmentwide organization with the expertise to manage commercial software as a common supply.

Federal agencies have historically bought the same software products over-and-over mostly by using "brand name or equivalent" justifications. These justifications have limited procurements of future software to the specific products agencies already use. Brand name or equivalent justifications, as formulated for software procurement, have blocked real competition.

[3] Commercial software refers to software products that are ordinarily used by commercial consumers and do not need modification for government use: the items most major software companies sell.
[4] *Vendor-Lock and Lack of Competition in the Government's Software Estate*, Michael Garland (2023)
[5] Calculated from a recent agreement between Google and GSA agreement:
https://www.nextgov.com/acquisition/2025/04/google-gsa-agree-major-governmentwide-software-discount/404450/

Unless an agency clearly signals a willingness to look at alternative products, competitors with equivalent products do not bid. Absent legitimate competition, the major incumbent vendors like Microsoft, Adobe, Salesforce, Oracle, and Service Now, possibly accounting for two thirds of the entire commercial software spend (likely north of $10 billion), exercise market power and are free to extract price premiums.[6] Over time, all of this has resulted in "vendor lock-in" -- a situation where government buyers feel so dependent on particular products, even those with multiple competitors, they are afraid to risk making changes despite strong economic incentives to do so.

Worse, on occasion over the years, agencies have allowed incumbents to bundle a large scope of products from a single software brand into multi-year enterprise agreements. Once in place, these omnibus agreements can thwart future competition in adjacent technology where competition may be more likely to thrive, such as cloud and cybersecurity services. **When agencies throttle real competition, they pay more. The dominant government software incumbents have been shooting fish in a barrel, with American taxpayers playing the role of the fish.**

There are several reasons for the vendor-locking, price distorting conundrum. At one level, it is an agency's desire for convenience, fear of switching costs, risk aversion that pervades government decision making, and the lack of expertise to do anything other than what is most expedient. More importantly, the structural failure of the government to manage commercial software like an enterprise asset or common supply diffuses its bargaining power. It's an overstatement to call it a dysfunctional system, because it is not a system at all.

Staging an actual competition for enterprise software is a resource intensive and onerous endeavor. It's hard. It requires expertise. Likewise, complicated switching costs for some integrated and embedded software in some categories are real and onerous. Yet, there's a large cohort of competent and innovative software companies, in virtually every category, effectively barred by brand name preferences and over-inclusive enterprise agreements. The result is petrification, vendor-lock-in, and poor pricing in perpetuity.

The creation of governmentwide support for the management of commercial software, the optimization of bona fide competition, and the ability to repair the current fragmented ad-hoc commercial software acquisition process would return bargaining power to the government and save taxpayers billions.



[6] As suggested in *Federal Software Licenses: Agencies Need to Take Action to Achieve Additional Savings*, GAO-24-105717 (2024).

# The Cost of Government Software Mismanagement

The government's massive commercial software estate is the aggregation of thousands of ad-hoc software procurement decisions made by individual agencies, bureaus, and components, in a vacuum, without the benefit of centralized expertise or resources.[7] Small pockets of knowledge and expertise reside in the government, but they are scattered, anonymous, not readily accessible nor shared. Governmentwide insight into prices paid, software utilization, preferred terms and conditions, and importantly mechanisms to increase competition or to limit brand name justifications, do not exist in a scalable way. **Instead, an oligarchy class of software companies are free to set prices, via their resellers, without the fear of losing accounts**.

The VA recently awarded a contract initiated under the previous administration for Microsoft software that obligates an average of $940 million a year for the next five years. The contract was likely created largely for the use of the same Microsoft application the VA has been using for decades: the Office 365[8] productivity suite.[9] That's about $27 for every tax-filer in America.[10] It is also about $407 million more a year than their last Microsoft contract from 2022.[11] It appears no other products were contemplated.

The VA was harshly criticized in several Government Accountability Office reports for having little to no situational awareness of their actual software installed base and spending.[12] The VA, like most of the government, is spending exorbitantly for software with blindfolds on.

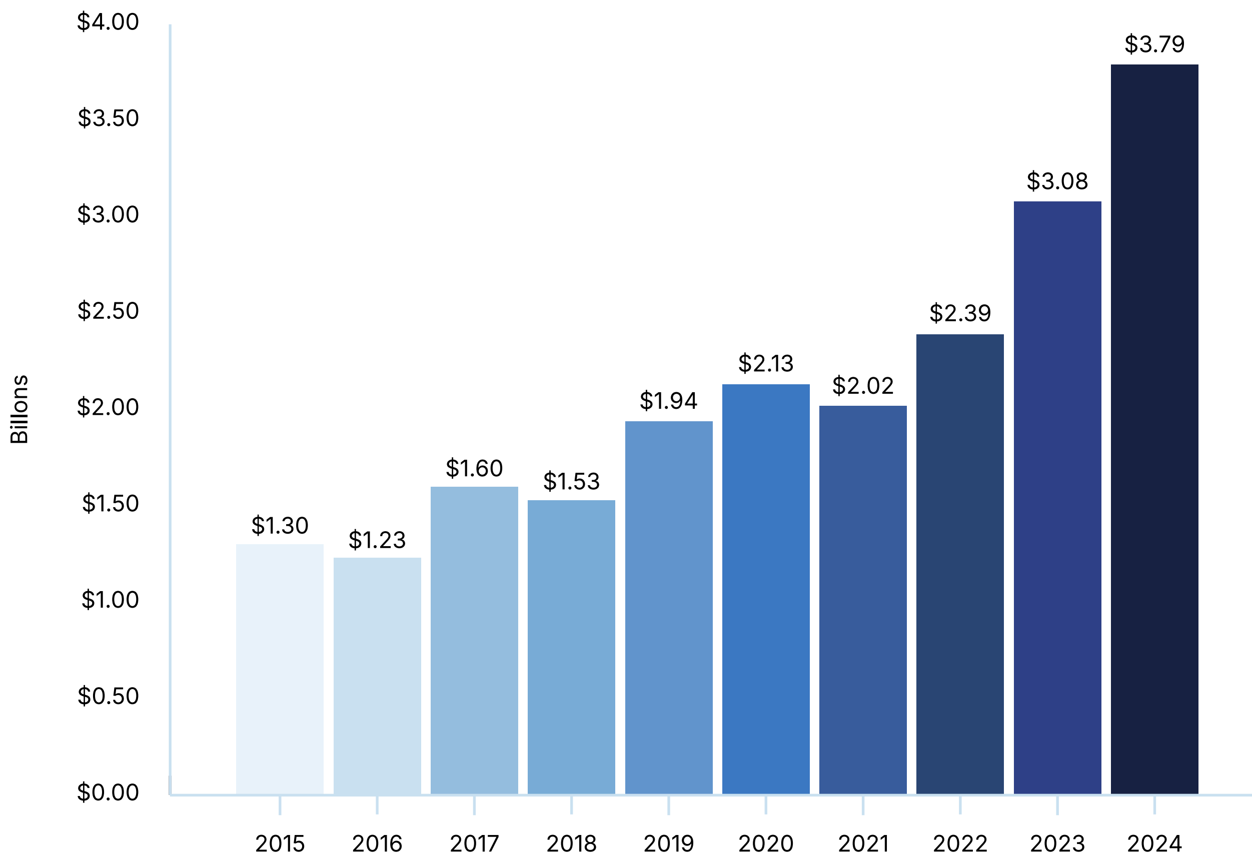
Meanwhile, it appears Microsoft's federal revenue has grown almost three hundred percent since 2015 ($1.3B in 2015 vs. $3.79B in 2024) while its

[7] "Software estate" is the term used to describe the collective deployment of all commercial software across the entire government.
[8] The product set has gone through several name changes and different features since first released in 1989. For this paper I refer to it as Office 365 or Office.
[9] See *Veterans Affairs Inks five year $4.7B Microsoft Enterprise License* available at https://orangeslices.ai/veterans-affairs-inks-a-5-year-4-7b-microsoft-enterprise-agreement/
[10] Assuming 168 million tax-filers in 2023 according to Pew Research available at https://www.pewresearch.org/short-reads/2023/04/18/who-pays-and-doesnt-pay-federal-income-taxes-in-the-us/
[11] The VA awarded Dell a $1.6M three year contract for Microsoft in April of 2022; see https://www.usaspending.gov/award/CONT_AWD_36C10B22F0089_3600_47QTCA22D003G_4732
[12] See GAO-25-108475: *Veterans Affairs: Actions Needed to Address Software License Challenges (2025)*

overall corporate revenue grew only by 162 percent for the same period?[13] To state another way, Microsoft's federal business is growing almost twice as fast as the rest of the company.

The Microsoft federal business chart below is based on the best public data we have which is admittedly imperfect.[14] However, it is reliable enough to show a valid growth trend.

## Annual Federal Microsoft Obligations






[13] Microsoft corporate revenue in 2015 = $93.58B; 2024 = $245.12B; Corporate Growth % = ((245.122 – 93.580) ÷ 93.580) × 1 00 ≈ 161.9%
[14] Based on a search of FPDS-NG (July, 2025).

# The Data Vacuum

Part of the reason the government has given away its pricing power bit by bit over many years is that it doesn't exactly know what it has or what it needs. Much of it starts with the massive, historical deficit, or even absence, in governmentwide software spending, inventory, and usage data. There is some level of knowledge at individual agencies. But those data are often incomplete and not aggregated for a governmentwide view. Frankly, in the aggregate, the government has no reliable visibility into its software purchasing, thereby making future software procurement competitions and responsible product price evaluations almost impossible. Even if such data existed, there is no government authority available to review it or build a competent strategy to drive more favorable pricing.

If you asked for an accurate accounting of the current spend on commercial software, it would be impossible to provide. Guesstimates are anywhere from $10 billion to $20 billion annually, perhaps more.[15] The true number likely approaches $20 billion given software hidden in system integration projects purchased as "services" and Intelligence Community procurements that aren't tracked.

Finding commercial software spending in the government is an art, not a science. This is not to suggest this is the fault of the current Administration; rather it is the culmination of decades of institutional inertia, lack of reform, and the actions of major IT providers to lock in the government.

The public governmentwide system of record for most government contract spending is the Federal Procurement Data System – Next Generation (FPDS-NG). First deployed in 1978, its mandatory fields only track certain metadata about purchases like contract value, name of the contractor, predominant NAICS/PSC codes, and miscellaneous other points related to the transaction. For software spending analysis, it provides an insufficient and unresolved dataset.

Its major failing: FPDS-NG does not mandate the recording of the specific item(s) purchased. Instead, FPDS-NG indicates the name of the vendor who received a contract. Because most commercial software is sold by 3rd party resellers, it's impossible to reliably search FPDS-NG for software brand names and get meaningful results. To track software purchasing, skilled researchers use software prod-

[15] For fiscal year 2024: GSA Schedule reports $5.6 billion; NASA SEWP reports $5 billion; the ITDashboard reports $10 billion, FPDS-NG reports $15.4 billion. OMB reported on July 18, 2025: $46.6B in IT services, $19.4B in IT products, $16.1B in IT "capability as a service." See OMB Memorandum: *Consolidating Federal Procurement Activities*, M-25-31 (2025). There is no definitive source for commercial software spending.

uct name wildcards and other creative indicators then hope that a Contracting Officer included a brand name moniker somewhere in an open text field. Often, they do not. And when they do, it's ambiguous, as there is no official taxonomy for recording software brands. Is "Service Cloud Unlimited Edition" the same thing as "Service Cloud (Enterprise)?"[16]

The poor collection of detailed data on commercial software purchasing and usage is a solvable problem. In the modern digital era, the average American consumer is awash in profoundly good purchasing information. Services like Zillow tell us the sale price and local tax liabilities of 116 million houses in America.[17] Kayak displays real-time pricing among airlines for specific travel routes. Kelley Blue Book presents the likely price for used automobiles by zip code, while also suggesting the price of similar competitive cars. By contrast, the government lives in a murky opaqueness from the last century.

Useful information, when it exists, is buried in individual contracts invisible to the public and other agencies. Agencies don't share contracts unless explicitly requested. Each manages its own data in separate systems. Even when contracts are excavated, pricing and items purchased remain inconclusive. The government navigates software acquisition blindly, unable to ensure interoperability or competition.

# Widespread Ambiguity:

## Agencies Can't Accurately Determine How Much They Pay or What They Use

In early 2024, the Government Accountability Office (GAO) produced (yet again) a scathing report on the state of software licensing at the 24 largest agencies.[18] Congress had tasked GAO with determining "the most widely used and the highest amounts paid for software licenses..." and the extent to which agencies had purchased too many or too few licenses. There was no button to push to receive this information. GAO requested and collected it individually, agency by agency, via emails with spreadsheets.

The results were damning and demonstrate a longstanding, systemic challenge. GAO reported that Department of Defense (DOD), Health and Human Services (HHS), National Science Foundation (NSF), Office of Personnel Management (OPM), Department of Interior (Interior) and the VA could not provide software pricing detail because "multiple software products within the agreement are not sepa-



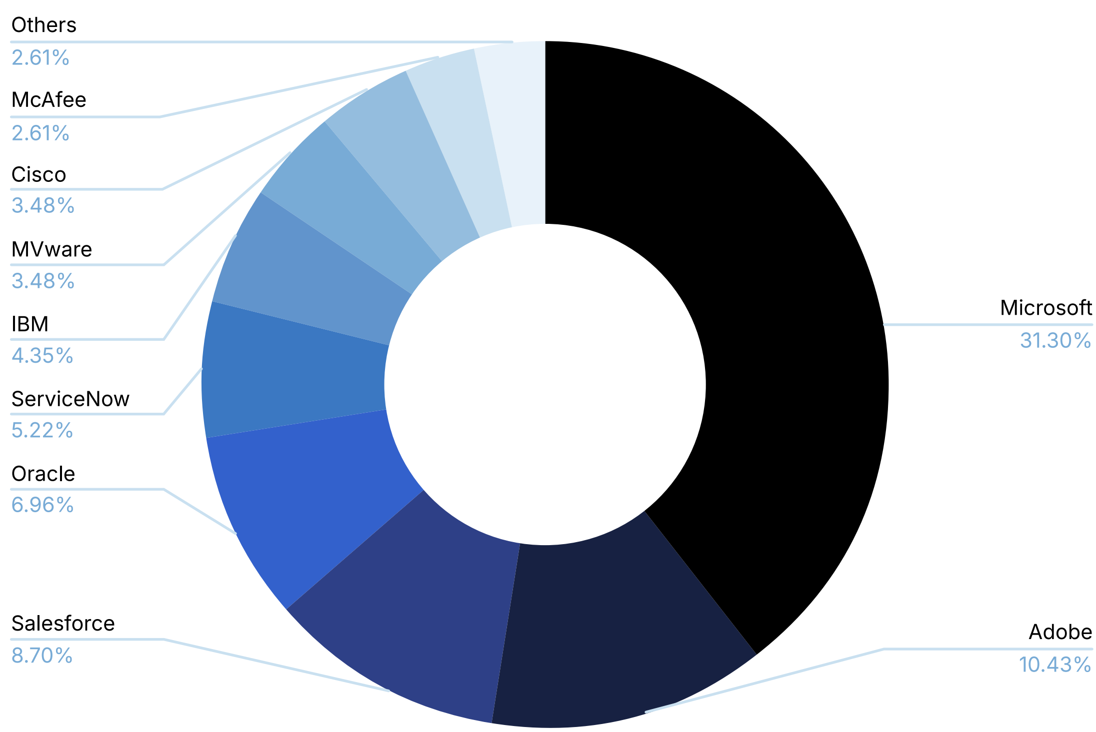
[16] *Federal Software Licenses: Agencies Need to Take Action to Achieve Additional Savings*, GAO-24-105717 (2024) at 21.
[17] See *Zillow Zestimate* available at https://www.zillow.com/z/zestimate/
[18] *Federal Software Licenses: Agencies Need to Take Action to Achieve Additional Savings*, GAO-24-105717 (2024).

rately priced."[19] In other words, software vendors sold multiple software products under a single agreement at all-inclusive pricing thereby depriving the government of the ability to determine individual product and unit costs. There were no itemized receipts. **Millions were spent, but on what remains a mystery.**

GAO noted examples. Commerce reported it maintained 140 Microsoft products but could not identify the prices paid nor the amounts deployed. HUD had 180 Microsoft products but could not identify the amount installed. USDA believed it had spent $41.94M on Salesforce but did not know which of those products were widely used. DOD reported that it could not provide "total actual costs" for Microsoft and McAfee.[20] HHS wasn't even able to report on its top five most widely used items.[21]

Despite limitations, GAO produced a report using the information it received. But given the data deficiencies the percentage of usage numbers can only be viewed as "statistical samplings" rather than an accurate reflection of reality.

## SW Vendors with Highest Amounts Paid (2021)




Source: Federal Software Licenses: Agencies Need to Take Action to Achieve Additional Savings, GAO-24-105717 (2024)

[19] Id. at 21.
[20] Id. at 20-21.
[21] Id. at 18 (footnote 36)

Some of these numbers may be directionally accurate, but they are also illusory. For starters, Oracle is surely incorrect. Globally, Oracle is almost three times larger than Adobe and thirty times larger than McAfee. Its presence in the government, at least in terms of actual usage and spend, would likely tower over most brands except Microsoft. Also missing are the pure-play cloud services providers like Amazon Web Services (AWS). These GAO numbers might provide a glimmer of a story, but the plotline is muddled by wonky data.

In addition to popularity and spend data, GAO selected nine agencies to determine how well they tracked software usage and if those agencies regularly compared usage to the quantity of licenses purchased. The implication was that agencies may needlessly over-purchase licenses, wasting money, or in some cases under-purchase, setting themselves up for future unanticipated surcharges.

None of the nine agencies audited by GAO "fully met...or largely addressed" the criteria of tracking and comparing their licenses for surpluses or deficiencies.[22] Three agencies, the Department of Agriculture (USDA), Housing and Urban Development (HUD), and the VA "did not provide evidence that [they] had addressed *any* (*emphasis added*) of the [inventory] criteria."[23] **Not a single agency could accurately and comprehensively report on their commercial software estate for price, quantity, and usage**. Even the best of the nine agencies failed.

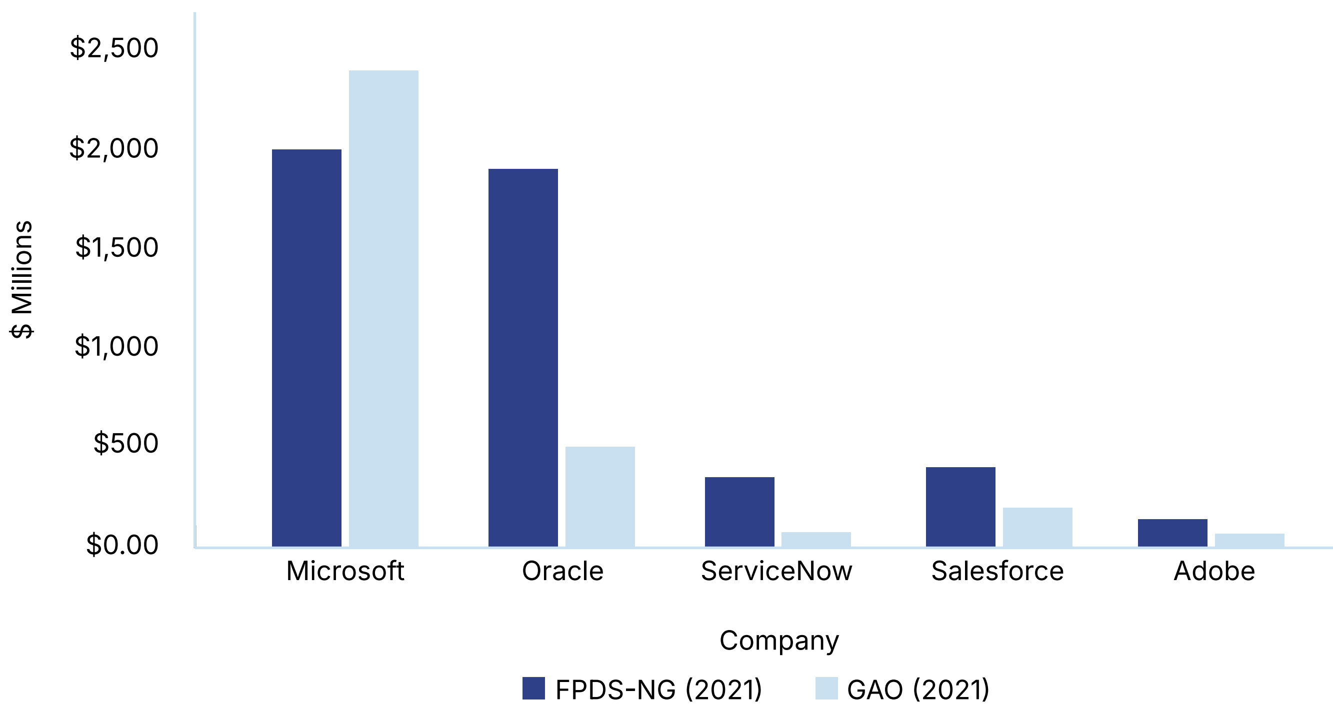
The lack of situational awareness created an enormous incumbency bias. It also created cybersecurity risk going back many years. The most recent hacking of Microsoft's SharePoint servers begs the question: can the government quickly find all the vulnerable servers for remediation and damage control? Nothing in the GAO report indicates isolating vulnerabilities is an easy exercise.



[22] GAO-24-105717 at 24. Six of the agencies "partially met" the criteria meaning that they tracked some of their licenses against purchase data.
[23] Id.

Below are two different views of software acquisition data collected for fiscal year 2021. GAO solely aggregated the spending numbers for products if an agency reported that the software was in its top five for spending.[24] Nonetheless, regard the enormous disparity between what a recent FPDS-NG search compiled[25] and what GAO collected on its reported top five products for the same year.[26]

## Top 5 Software Spend, FPDS v GAO (2021)




It is almost impossible to get an apples-to-apples comparison of software spending but in this case the typical discrepancy between the two reports is well over one hundred percent. Note the wild differences in the numbers for Oracle. Given the data gathering failures GAO enumerates and the known limitations of FPDS-NG, these spending totals are random

[24] Congress' request asked GAO to focus on the top spend items only. The total data aggregation was for 23 of the 24 CFO Act agencies. HHS was not included.
[25] The FPDS report was run in June of 2025 for fiscal year 2021 data to match the GAO report.
[26] Large contracts like the GSA MAS Schedule and NASA SEWP also collect software acquisition data, but their datasets are not publicly visible. Furthermore, they are also at the mercy of proper reporting by contracting officers.

and unreliable. None can be trusted. None form the sound basis for software management.

Anecdotally, we know Microsoft has been selling approximately $5B a year of its products and services to the federal government.[27] Almost all agencies are using variants of Microsoft's Office 365 suite for email and its office productivity tools.[28] According to recent media reports, as previously mentioned, the VA alone is now responsible for almost $1B a year in Microsoft revenue.[29] The government's various disjointed procurement systems might be under-reporting Microsoft by fifty percent. Our data are abysmal.

This is distressing because the data exists. In fact, software companies know exactly what they have sold. They know the prices paid to the dime. It is their intellectual property. The software industry business model depends upon knowing exactly where that property resides and how much they intend to charge for future use. The government does not own commercial software. Software companies *license* the use of it to the government for specified periods of time. **While the government has poor visibility into its software estate, the software providers have perfect visibility**, supplemented by audit rights to ensure they never undercount and are paid for every ounce of usage. The government has an asymmetry of information problem. The balance of market power resides with the software companies. In the aggregate the government is like the hapless consumer that has purchased more subscription services than it realizes or remembers and now needs a 3rd party service to figure out how to delete them.

A recent Fact Sheet supporting the Trump Administration's Executive Order mandating that more procurement be consolidated at the General Services Agency (GSA) pointed out pricing inconsistencies including **"the cost of a comprehensive suite of Microsoft Office 365 services could vary between agencies by more than $200 per license."**[30] With inconsistencies like these an agency of 10,000 employees on the wrong side of the pricing disparity may be paying $2 million more per year than another agency for the same Microsoft products.

If true, it is hard to overstate the unfairness that Microsoft offers the government wildly different pricing for the same products to essentially the same customer. Although the federal government is a collection of disparate agencies, it is a single entity funded by a sole source: Americans. We taxpayers surely deserve the benefit of more uniform pricing that better reflects the government's enormous spending. Moreover, the government should no longer be complicit in its own victimization.



[27] A believable approximation once provided by a former Microsoft employee.
[28] GSA is the only sizable agency that has standardized on Google Workspace instead of Office 365.
[29] See *Veteran Affairs Inks a 5 Year 4.7B Microsoft Enterprise Agreement* available at https://orangeslices.ai/veterans-affairs-inks-a-5-year-4-7b-microsoft-enterprise-agreement/
[30] See, *Fact Sheet, President Donald J. Trump Eliminates Waste and Saves Taxpayer Dollars by Consolidating Procurement*, available at https://www.whitehouse.gov/fact-sheets/2025/03/fact-sheet-president-donald-j-trump-eliminates-waste-and-saves-taxpayer-dollars-by-consolidating-procurement/

# Historical Roots:

## The Fracturing Legacy of Clinger-Cohen

The lack of government IT data and disjointed procurement has legislative roots. There was once a time when all information technology purchasing was consolidated at GSA. The Brooks Act for ADPE gave GSA a monopoly on IT procurement beginning in 1965.[31] Then, in 1994, Senator William Cohen rocked government IT when he wrote the mother of all government IT critiques: *Computer Chaos, Billions Wasted Buying Federal Computer Systems*.[32]

One of Cohen's primary assaults was against GSA's procurement monopoly. Upon the explosion of personal computing in the late 1980s, GSA could not keep-up with demand. It was a choke point. Agencies complained they waited too long for GSA to execute their IT purchases. By the time they got their items they were already obsolete. Rather than recommend a better resourced more effective GSA, Cohen's solution evolved into breaking up GSA's monopoly.

It did not help that simultaneously the Clinton Administration's re-inventing government initiative promoted the idea that if agencies competed against each-other they would provide better services. After Congressman Jack Brooks lost his re-election bid in 1994, Congress jumped on the chance to rescind his Act. The recission of the Brooks Act is now known as Clinger-Cohen.[33]

Clinger-Cohen broke up unified IT contracting at GSA and pushed power out to the agencies to do their own thing. Cohen's well-meaning attempt to speed up procurement permanently splintered software acquisition and procurement data at precisely the worst possible time: the dawn of

[31] *The Brooks Act concerning Automated Data Processing Equipment* codified at 40 U.S.C. 759
[32] *Computer Chaos: Billions Wasted Buying Federal Computer Systems*, Senator William S. Cohen (1994).
[33] *Clinger-Cohen Act* of 1996 codified at 40 U.S.C. sec. 1412.

massive IT growth. Agencies in a hurry procured whatever they wanted. Multiple contracts with different prices and terms and conditions for the same IT items quickly materialized. Hundreds of duplicative applications for things like human resources and financial management were developed with no intention of being sharable between agencies.[34]

In the language of economists, a thousand flowers were blooming. But some of the flowers beget weeds: overspending, diffusion of information, price disparities, unnecessary investments, and ultimately calcification into vendor-lock. The relevant data necessary for situational awareness was stove-piped contract by contract without common data elements nor the intention of governmentwide sharing or aggregation. To this day, the two largest contracts for commercial software, NASA's Solutions for Enterprise-Wide Procurement (SEWP) and the GSA Schedule compete for agency usage fees and are rivals. Clinger-Cohen intentionally made them competitors, and they have largely behaved accordingly.

To be clear, Clinger-Cohen is not the exclusive source of the government's software procurement difficulties. But it's emblematic of the government's laissez-faire ethos. Federal agencies competing and fending for themselves as if they were loosely affiliated members of a holding company is not efficient. Among other problems, it scatters expertise and data. But here we are, **thirty years after Clinger-Cohen, with software inventory data, software prices paid, and software procurement expertise, to the extent it exists at all, unconsolidated, dispersed and diffused across the government**.



[34] See Garland, *Brief History of IT Acquisition Reform*, at 98. Journal of Contract Management (Fall 2015)

# "Zombie Competitions":

## Incumbents Win Before Competition Begins

Government procurement law almost always requires a "competition" between rivals prior to an acquisition. The sound theory is that competition drives pricing down and saves tax-payer money. However, **with the large software incumbents something less than full-throated competition has historically occurred**. The key thing to remember is that contracting officers and IT buyers, unprepared for swapping out incumbents, have long been inclined to use a "formalistic" competition that met the law but didn't drive the savings that might have otherwise been available.

Enterprise software agreements frequently expire. In most cases, an agency needs to run a replacement competition for its license agreements in three-year or five-year cycles.[35] Agencies, short on time with little software acquisition expertise, a paucity of resources, and poor data almost always find a way to renew incumbent brands instead of authentically competing amongst similar brands on price, quality or other factors.

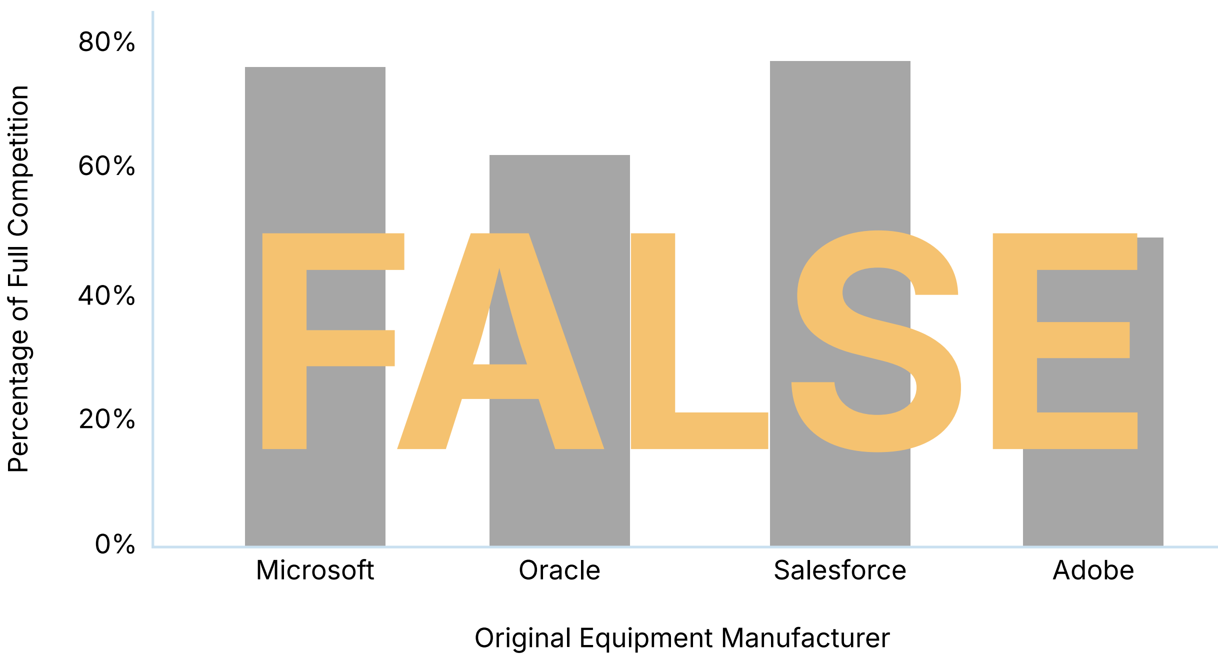
**Every three years or five years, it becomes a race to *renew* rather than an event to promote a price-based competition.**

In 2023, I commissioned a study to try to determine how often incumbent brands faced authentic competition over a four-year period.[36] To the extent FPDS-NG could track software acquisitions, it indicated the following percentages of "fully competitive" software purchases for these popular brands in the graphic below.[37]

However, as I will explain, these numbers are misleading under a conventional sense of competition.

[35] Each agency is on its own cycle. Governmentwide, enterprise agreements at agencies are expiring every year.
[36] *Vendor-Lock and Lack of Competition in the Government's Software Estate*, Michael Garland (2023)
[37] A recent pull of this data for fiscal year 2024, showed almost identical numbers to my previous report.

## Percentage of Fully Competitive Procurements (2018-2022)




The data are deceptive because almost all major software awards occur after the government has *restricted* competition by stating in the solicitation that it wants quotes for specific pre-designated software brands *"or their equivalents*."

**Here's the worst kept secret: agencies in the past have *not* wanted equivalent products.** However, the candor to admit they don't want alternative products is problematic. To limit a competition to a single brand requires building a business case to explain why only a "sole" brand can meet the agency's needs. That business case is hard to build, time consuming, and doesn't always fly.[38] The reason: many brands, *can in fact*, fit agency needs.

Adding "or equivalent" is a magical expression, a legal sleight of hand, to make a competition "fully competitive" under FAR definitions. That is why they show up on FPDS-NG coded as fully competitive. Almost always they are not.[39] When placed in a solicitation it invariably means that the agency intends to buy the brand it has named. Knowledgeable competitors don't bother to submit an offer. It is time consuming and expensive to bid on opportunities that will likely be lost. **Experienced players realize the op-**



[38] In 2021, Westwind Computer Products successfully protested a brand-name only procurement for Microsoft that failed to add "or equivalent." GAO stated that the competition was "unduly restrictive" because USDA failed to justify why other products would not meet the agency's needs. (GAO B-420119; December 2021.)

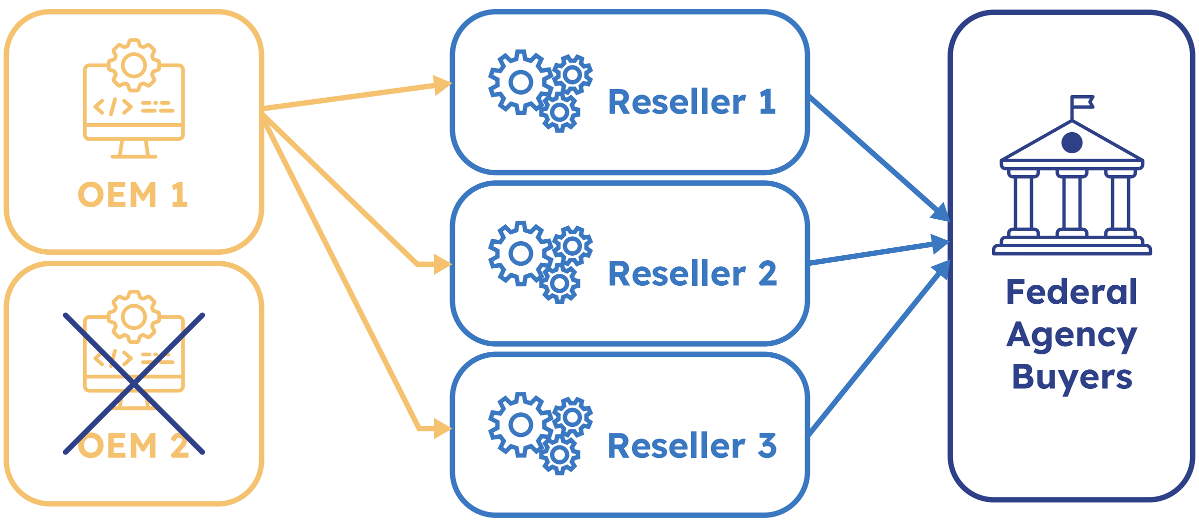
[39] There are times when agencies are open to other products and use the "or equivalent" language with that actual intent. That is not usually the case with commercial software.

**portunity has been "wired" for the incumbent brand. Competitive brands especially know this, if they have not been contacted during the pre-solicitation, market-research phase.**

The ensuing competition is typically a shrunken contest among the 3rd party resellers of the pre-designated brand. **The most important thing to understand about this zombie competition is that the incumbent software company has won the event before it started**.

The prices set by the software OEMs, for use by their resellers, are then inflated because it's a faux competition they have already won.

## The SW OEM Is Always the Winner of This Competition




*OEMs establish the price for resellers; when OEMs don't compete against each other, they can price HIGH without losing. Competition among resellers, where the government typically creates competition, has a minor impact on price.*

It is true that **3rd party resellers compete against each other, but only over a tiny fraction of the value of the transaction**. Even the highest reseller margin estimates are less than seven percent with large transactions likely closer to one or two percent.[40] **The entire competition is over a miniscule pool of reseller margin**. The lion's share, the real money, gets paid to the software company, at whatever purchase price it sets for its resellers: a price created without threat of failure; a price usually set upon knowledge of the agency's budget; a budget often created with input from the software company.

[40] See *Two More Centralization Cost Savings Initiatives from GSA* available at https://federalnewsnetwork.com/acquisition-policy/2025/06/two-more-centralization-cost-savings-initiatives-from-gsa/

As I have previously written, the incumbent software brand has usually advised on the solicitation's creation during market research.[41] Because an agency's software usage knowledge is incomplete and highly suspect, it typically cannot make a new purchase or consider alternatives, without the incumbent software company in the driver's seat telling the agency what it needs, including a recommended budget. Again, this is another problem of broken government data. It is tantamount to asking the car salesman what kind of car to buy and how much to set aside for your monthly payments even before looking at cars.

This is all legal. To be clear, this is not the behavior of bad people or the fault of the current administration. It is the expected behavior of people working under time pressure in a flawed system that provides limited data, decentralized expertise and no incentives to change. Buying software is not the VA's or any agency's core mission but selling software is in Microsoft's. **Government employees have done the best they can in the face of software giants gaming the system and within a culture that didn't provide many tools or incentives to change and innovate**.

# Enterprise Agreements Can Then Cement Lock-in

Large enterprise agreements, once in place, can then blossom into an effective tool to block competitors from additional opportunities beyond the scope of the original requirement.

By itself, Office 365 is a competition killing product. Its strategic bundle of word processing, spreadsheets, presentations, email, and virtual conferencing drove competitive single point products out of business after it was introduced in the late 1980's. Thriving market leading products like WordPerfect, WordStar, VisiCalc, and Lotus 1-2-3 were all eventually vanquished by the Microsoft bundle. Although there are competent competitors, Microsoft has been the dominant force in the office productivity software category ever since. In the federal government, it owns 85 percent market share.[42]

Unfortunately, historically, something more pernicious happens when an

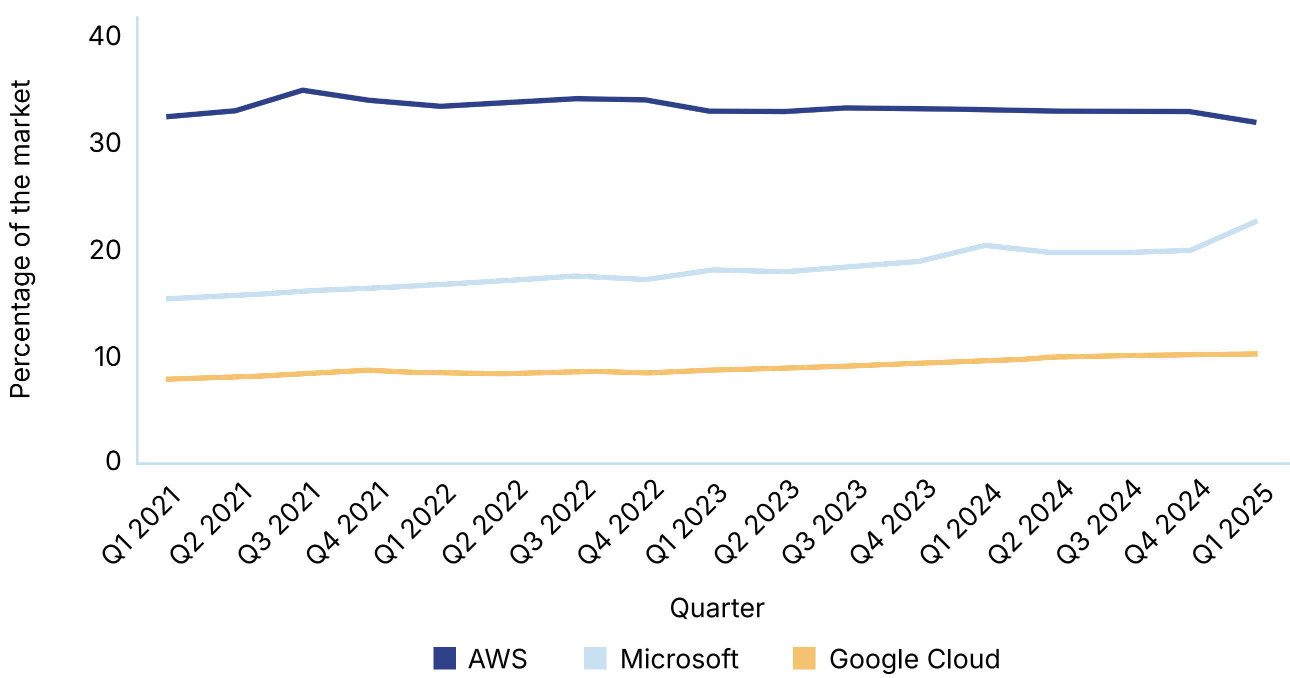


[41] *Vendor-Lock and Lack of Competition in the Government's Software Estate*, Michael Garland (2023)
[42] See *New Study Shows Microsoft Holds 85% Market share in US Public Sector Productivity Software* available at http://ccianet.org/news/2021/09/new-study-shows-microsoft-holds-85-market-share-in-u-s-public-sector-productivity-software/

agency awards a new large enterprise contract for Office 365. The contract awardee (a Microsoft reseller) may include the full portfolio of *other* Microsoft products including those that can be optionally purchased during the lifetime of the contract.[43]

The optional inclusion of Microsoft's Azure cloud service is of paramount importance because Microsoft is not the market leader. There is still a fierce competitive rivalry for cloud infrastructure services. The leading cloud "hyper-scalers" are shown below with their approximate global commercial market share.[44] AWS and Microsoft lead; neither dominates.

## Top Cloud Vendors' Market Share Trends (Q1 2021 - Q1 2025)




A "standards-based" competition for cloud infrastructure services, mounted without a brand name preference, would provide the government with a strong form of competition resulting in efficient pricing.[45] There are standing

[43] These other products may include Visual Studio (developer tools), Power BI (data analytics), SQL Server (database), Project (project management), Visio (flowcharts), Defender (cybersecurity), Dynamics 365 (CRM), and most importantly Azure (cloud infrastructure).
[44] See *Global Cloud Infrastructure Spending Rose 21%* available at https://canalys.com/newsroom/global-cloud-q1-2025
[45] See *Interoperable Cloud, Innovative Competition; Advancing Artificial Intelligence and Emerging Technologies via Public Sector Procurement*, Omid Ghaffari-Tabrizi (2025) available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5272590.

government contracts with all these brands ready to compete.[46] The global movement toward standards based competition for cloud is critical for defeating vendor lock-in and promoting interoperability and price containment. It is critical for resiliency and the possibility of inter-cloud workload portability. The government wins on price and fault-tolerance when it can easily move between competitive cloud providers.

Agencies should not put all their eggs in one cloud basket. When the government doesn't compete for cloud infrastructure services, when it instead designates a single brand, it always overpays, and digs a deeper moat that protects incumbents. This also raises the risk of a catastrophic single point of failure. Spreading the business around, having several providers available, improves pricing and resilience.

But agencies take the path of least resistance. With Azure already optioned in their Microsoft enterprise agreement, they simply add it without fresh competition. The existing "brand name or equivalent" agreement already checks FAR's competition box. Thus agencies order Azure at potentially higher prices while forgoing multi-supplier resilience. Enterprise agreements become Trojan horses, granting agency-wide franchises to incumbent brands.

# Challenger Brands Will Discount Deeply for a Chance

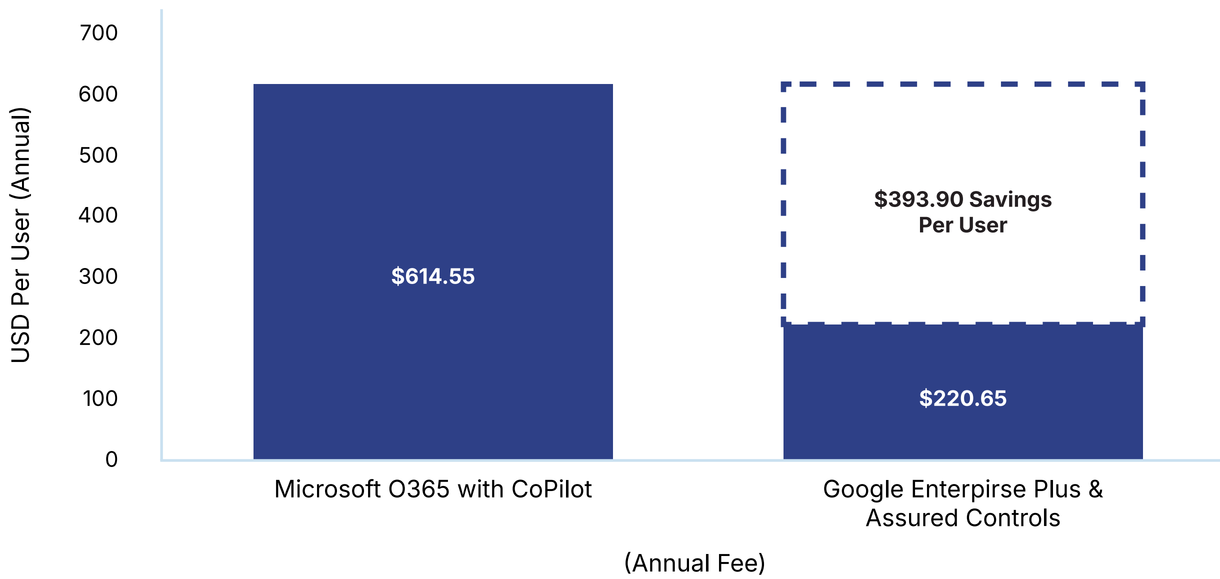
The Trump Administration's OneGov initiative has made clear that coddling and protecting incumbents leads to poor prices. Thanks to GSA's leadership and the spectre of real competition, incumbent software and service providers and up-and-coming challengers have announced billions in temporary discounts. The graphic below illustrates the currently available standard published price difference between Google's version of Workspace with its AI component and Microsoft's least expensive version of Office 365 (E3) with its AI component.[47] These products are not identical, but they are accepted substitutes for each other.



[46] These contracts include, among others, Secure Transition and Resilient Advanced Trusted Unified Services (STRATUS): Joint Warfighting Cloud Capability (JWCC), GSA Schedule, and NASA SEWP.

[47] Prices determined on GSA Advantage! based on single unit volumes as of June 19, 2025. Google and Microsoft prices available at https://www.gsaadvantage.gov/advantage/ws/catalog/product_detail?itemNumber=GWS-ENTPL-AC-1&mfrName=GOOGLE%20INC.&contractNumber=47QSWA18D008F; https://www.gsaadvantage.gov/advantage/ws/catalog/product_detail?itemNumber=DTT-00017-GOV&mfrName=MICROSOFT&contractNumber=47QSWA18D008F; https://www.gsaadvantage.gov/advantage/ws/catalog/product_detail?itemNumber=CFQ7TTC0MM8R-2-P1Y-M&mfrName=MICROSOFT&contractNumber=47QSWA18D008F

## Microsoft vs Google Productivity Software Price Comparison




At currently published GSA pricing Google costs almost $400 a year less, per user. Depending upon how many licenses the government needed to acquire, there could be over $1 billion a year in savings based on the GSA sticker price.[48] Of course, actual savings would probably be substantially better under competitive pressure. In other words, Google's GSA published pricing is the ceiling; the worst the government would have to pay. Google itself has touted that its better pricing on Workspace would save the government $2 billion over three years.[49] Why isn't Google's phone ringing off the hook?

Microsoft's pricing remains considerably higher because they have accurately determined they do not have to compete. They have no incentive to match Google's prices. So far, they have not been wrong. Only GSA has totally migrated to Google's office productivity suite which they accomplished in 2011. GSA proved that switching costs can be managed and the lower priced product can be deployed for its 17,000 employees. It hasn't mattered to the rest of the government.

It is easy to single out Microsoft for market power pricing because they are the largest software company in the world. They are four times larger than Oracle, the second largest soft-

[48] I used approximately 2.5 million licensees. (2,538,716/$393.90 ≈ $1,000,000,000) USA Facts reports there are three million civilian workers in the federal workforce as of May 2025; this count does not include licensees that are contractors who are supplied software by the government; USA Facts available at https://usafacts.org/answers/how-many-civilian-jobs-are-in-the-us-federal-government/country/united-states/
[49] See *Google and GSA Agree to Major Software Discount* available at https://www.nextgov.com/acquisition/2025/04/google-gsa-agree-major-governmentwide-software-discount

ware company.[50] However, an incumbency bias benefits other software companies too. There are ample competitors for Adobe, Salesforce, Oracle, and ServiceNow. But, like Microsoft, when they feel unthreatened by true competition, they are free to maintain high non-competitive unchallenged prices.

It is imperative to remember, for most software there is little to no marginal costs to add a customer. These are not cars. It costs almost nothing to roll out another unit of software. When push comes to shove, when there is a legitimate threat to lose a deal, enormous discounts quickly materialize.[51] Every time!

# Beyond Clinger-Cohen:

## Switching Costs and Other Cultural Barriers

When pressed on the issue of lack of competition for incumbent software brands, government IT workers generally fall back on a default argument that switching costs make product substitutions impossible, therefore pure competition between brands is unthinkable.

Indeed, switching software products is sometimes impracticable. A tally of switching costs include factors like complexity, time, effort, retraining, loss of familiarity, systems integration, data migration, and user satisfaction. These considerations are not trivial. Some products should not be switched. Even in private industry, there are numerous IT consumers who are deeply unsatisfied with specific software applications but due to a perceived monumental effort to change, switching appears unworkable or uneconomical.[52] The government is not alone.

The government has a historically deeper systematic problem. The mere prospect of switching is has rarely been contemplated or analyzed. Innovative products were rarely investigated. Even when an incumbent product may be ripe for replacement, the government has generally maintained the status quo.

Sometimes the incumbency advantage reaches a level of absurdity. NOAA finally terminated its Blackberry contract in 2019 even though Blackberry had been in a death spiral for most of a decade and had completely stopped manufacturing devices in 2016.[53] Microsoft released its Windows XP oper-

[50] Microsoft corporate revenue is ≈ $245 billion. Oracle corporate revenue is ≈ $57 billion; most recent fiscal years.
[51] I am a former software revenue executive. I have seen discounts in excess of 90% to win competitions.
[52] Enter "*software that users hate*" into an internet search tool and be prepared for an assault on many famous software products.
[53] See *Government Ditches Agency Blackberry for Iphone, Ipad* available at https://bgr.com/general/government-agency-ditches-blackberry-for-iphone-ipad/

ating system in 2001 and subsequently produced at least three replacement operating systems over the next twelve years. It finally retired XP in 2014. That did not stop a component of the Navy from awarding a custom support contract to maintain its XP installed base beginning in 2015.[54] The government is good to incumbents and hard on late arriving innovators.

While switching difficulties are real, they are exacerbated by unique cultural problems:

## Risk Taking is Not Rewarded

A social science study conducted in 2022 suggests that, despite conventional wisdom, **the government doesn't attract risk averse workers.[55] Instead, it manufactures them.** The study concluded that the cultural emphasis on loss prevention, obligations, responsibilities, duties, and other compliance objectives transforms a malleable workforce into risk aversion.

The longer employees are exposed to the "prevention focus regulatory system," as well as reminded of the negative consequences of violating "standards and principals," the less comfortable workers become with uncertainty. The longest tenured public sector employees, those most likely in leadership positions, will therefore tend to be the most risk averse. Culturally the government embraces compliance over change and eschews innovative or novel outcomes.

Accordingly, **there is no reward structure for taking risks**. Hence, there is little reason to expect agencies, ***on their own, without help, or a compliance mandate***, to venture into switching out products. There is no upside for those involved. Failure may cause reputational harm. Success will not be rewarded.

## Few Incentives to Save Money

The government's budgeting process has aggravated the software stasis because for most there is little sensitivity to pricing. If the prices have been deemed acceptable in the past, why rock the boat? The amount an agency spent last year on Microsoft, Oracle, Salesforce, Adobe, and ServiceNow will be the amount requested for the following year's budget (with upward adjustments). Once the money is allocated by Congress, it needs to be spent. **Under past administrations, there was no reward for spending less**.

## Urgency and Time Pressure

Added to this array of deficiencies is the timing imperative introduced through the now popular Software-as-a-Service (SaaS) licensing model.

[54] See Windows XP Support Costs Navy available at https://rcpmag.com/blogs/scott-bekker/2015/06/windows-xp-support-costs-navy.aspx; Children born when Windows XP was launched in 2001 have graduated from college.
[55] See Risk Aversion in the Public Sector Workforce: The Mirco-Level Drivers of Change, Po Chiu Ivan Lee (2022) available at chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://rucore.libraries.rutgers.edu/rutgers-lib/67489/PDF/1/play/

Most of the leading brands, including Microsoft, Adobe, Salesforce, and ServiceNow license software largely through the equivalent of rental agreements.[56] As the end of the rental term approaches, agencies must put a new rental period in place, or the software incumbent has the right to turn off the application. Urgency works against strategic thinking. For government buyers, the clock is always ticking. The time to contemplate alternative procurement strategies gets consumed by budget cycles, funding uncertainty, political considerations and more.

# Clinger-Cohen Redux:

## Congressional Attempts to Fix Software Acquisition and Management Continue to Fall Short

**Software is the single most complex commercial item in the world to acquire and manage!** Software is intangible and invisible. The usage rights and complex licensing structures vary from product to product even within the same brand. The terms and conditions in a typical license are almost always beyond the comprehension of anyone except the lawyers that wrote them.[57]

Anyone care to unlock the meaning of this provision in an Oracle agreement?[58]

> *If a subset of licenses on a single order is terminated or if the level of support is reduced, support for the*



[56] Most SaaS brands now offer yearly subscriptions where the licenses for the forthcoming year are paid in advance.
[57] I started my career as a software licensing attorney. I often cannot understand certain licensing terms and conditions.
[58] I referenced this clause in an earlier paper, Vendor-Lock and Lack of Competition in the Government's Software Estate. Essentially it means if a customer uses less Oracle software than originally procured it may have to pay higher maintenance fees making the reduction of Oracle usage uneconomical.

> *remaining licenses on that license order will be priced at Oracle's list price for support in effect at the time of the termination or reduction minus the applicable standard discount. Such support will not exceed the previous support fees paid, plus any applicable country annual adjustments, for both the remaining licenses and the licenses being terminated or unsupported and will not be reduced below the previous fees paid for licenses continuing to be supported.*[59]

To inexplicable contract language, add pricing quotes with mind numbing spreadsheets containing hundreds, if not thousands, of rows of part numbers that are equally mesmerizing and complicated. Even if you could get a handle on the arcane science of part number management, software companies are always changing them as products get updated. This makes pricing comparisons between contracts bewitchingly difficult.

Here is one example of how Microsoft explains its "product names and service plan identifiers for licensing" directly from its website:

> *When, managing licenses in the Azure portal or the Microsoft 365 admin center, you see product names that look something like Office 365 E3. When you use PowerShell v1.0 cmdlets, the same product is identified using a specific but less friendly name: ENTERPRISEPACK. When using PowerShell v2.0 cmdlets or Microsoft Graph the same product is identified using a GUID value: 6fd2c87f-b296-42f0-b197-1e91e994b900.*[60]

Got that?

This impenetrable language comes through licensing addendums so convoluted that actual terms exist on referenced websites, not in the contract itself. Government buyers have accepted these like homeowners executing 200-page mortgage agreements—hoping for the best, uncertain of what they just signed.

All of this is great, until the government runs into a licensing trap when it runs afoul of usage rights it never fully understands. As the research firm Gartner states,

> *...the vast majority of SaaS providers have limitations attached. Not all providers make these limitations transparent. These limitations often sit in the referenced 'documents,' service descriptions' or URL links. For example, storage (file and data), custom objects, API calls, page views, connectors, contacts and sessions, if exceeded will require customers to pay incremental fees.*[61]

I've written extensively about how software companies will use audits to

[59] Oracle Technical Support Policies: 07-October-2022 at 7.
[60] See *Product names and service plan identifiers for licensing*, available at https://learn.microsoft.com/en-us/entra/identity/users/licensing-service-plan-reference
[61] *Top 10 SaaS Terms to Negotiate That Avoid Putting Your Budget and Business at Risk*, Gartner (ID G00722426) April 2021.

find violations to levy fines. Both Oracle and IBM have been sued in the recent past over allegations of unethical audits used expressly as a tool to drive revenue.[62]

In 2016, Congress passed the Making Electronic Government Accountable Yielding Tangible Efficiencies (Megabyte Act) which demanded agencies better track their software licensing.[63] The Act requires agency CIOs to establish comprehensive inventories of software and to maintain usage counts to help agency executives make strategic acquisition decisions. Bravo. But like most of these initiatives it hasn't worked. GAO's licensing report proves agencies have failed to do it.

Another well-meaning piece of legislation entitled Strengthening Agency Management and Oversight of Software Assets Act (SAMOSA) passed the House of Representatives at the end of 2024 (but not yet by the Senate).[64] The goal of SAMOSA is to build upon MEGABYTE, requiring agencies to use their software inventory data to develop a plan to consolidate licensing and to adopt enterprise agreements by software type or category.

However, it is unlikely that agencies will ever be experts at buying software, counting software, understanding usage trends, or exploring the possibility of product substitution for savings. The VA's expertise is serving veterans. It is unrealistic to also expect them to be experts at buying the world's most complex commercial item. **No agency should be forced to be experts at buying Microsoft**. Buying Microsoft is for gurus, not for triennially overwhelmed Contracting Officers. And it's not just Microsoft: it's all of the dominant software brands that leverage their complexity and incumbency.

In private industry it's typical to engage a consulting company expressly for the purposes of buying the largest software brands. The government, the largest buyer of software in the world, likely spending \$20 billion a year on commercial software has never availed itself of permanent full-time software acquisition expertise.

The Institute for Supplier Management suggests that for roughly every \$200 million in spending, a buyer should have one dedicated resource to manage the supplier category.[65]

Mastery of the job includes the:

> *"...identifying and monitoring total spend and consumption; keeping abreast of market shifts, new alternatives or inventions; forecasting market supply and demand; and continuously evaluating supplier performance to drive down cost, improve supplier performance, respond to changing business requirements and enhance stakeholder satisfaction."*[66]



[62] See *Vendor-Lock and Lack of Competition in the Government's Software Estate*, Michael Garland (2023)
[63] Pub. L. No. 114-210, 130 Stat. 824 (2016)
[64] See *SAMOSA Act Finally Passes the House* available at https://fedscoop.com/radio/the-samosa-act-finally-passes-the-house-with-little-time-to-spare-and-the-senate-introduces-a-reauthorization-of-the-national-quantum-initiative/
[65] See *Supply Management News and Reports* available at https://www.ismworld.org/supply-management-news-and-reports/news-publications/inside-supply-management-magazine/blog/2019-11/the-monthly-metric-managed-spend-per-category-management-employee/
[66] Id.

Perfect! But there is not a single software supplier manager, anywhere in the government. The job doesn't exist. **Zero dollars have been allocated to manage Microsoft, Oracle, Adobe, Salesforce, and Service Now as strategic suppliers despite representing perhaps $10 billion in government spending**. Nor is there anyone available to promote innovative brand challengers who can drive down prices for the government and improve inter-operability and resilience. To the extent any supplier management discipline exists at all, it is done anonymously, contract by contract by contract.

# Specialized Knowledge Necessitates More Centralized Services

The government takes a lot of heat for inertia, but, as the current administration has shown, dramatic change is possible, even in the short term. In fact, the government has a long history of recognizing that certain functions are best served when centralized, shared, and not executed agency by agency. Wisely, Congress put GSA in business in 1949 so that it could provision common goods and services for the entire government.[67] More recently, for information technology, OMB created (later codified by Congress) the FedRAMP shared service in 2011 to standardize security authorizations for cloud services across the entire government.[68] FedRAMP authorizes a cloud product once and the rest of the government may ride on that work without doing their own ground-up independent FISMA[69] compliance study, over and over again.[70] While there has been some squabbling about the efficiency

[67] *Economy Act of 1949*, Pub. L. No. 81-152, 63 Stat. 377 (1949); Among many functions: GSA manages all federal property, approximately 8,800 buildings. It also controls a fleet of over 200,000 cars for all agencies to lease. Agencies need not be landlords nor car mechanics.
[68] See *FedRAMP Turns 10*, available at
https://www.fedramp.gov/blog/2021-12-08/FedRAMP-Turns-10/
[69] Federal Information Security Management Act of 2002, Pub. L. No. 107-347t
[70] They *are* required to ascertain if they agree with the FedRAMP authorization.

of FedRAMP, it has collectively saved agencies thousands of man years of duplicative and complex work.

In both recent cases, Congress and OMB facilitated the economies of scale gained by consolidating expertise that could be shared across the government. Agencies didn't have to become cutting-edge experts in cybersecurity. Americans are less vulnerable as a result. Tax money is saved.

# The Path Forward:

## A Better Way to Save for Taxpayers

What the government needs now, instead of agency targeted legislation, is a mandated shared service for Software Accountability, Value and Efficiency (SAVE).

Congress needs to fund an organization that operationalizes OneGov's real but temporary savings and the Trump Administration's efforts to identify and end waste in software spending to create durable assets and expertise to drive down prices and minimize vendor-lock-in for a generation. It needs to save the agencies from deeply entrenched inertia and the incumbent vendors who game the system. It needs, at least for the federal civilian agencies:

- A compilation of all software purchases and usage in a single unified database for accessible pricing and usage metrics.[71]
- Centralized supplier managers with expertise on the top brands; knowledge of possible substitutes to support solicitation creation; enhancement of competition with limited brand name justifications, and deep understanding of leading software products by category. Some of these managers should be ex-employees of the top brands.
- Playbooks for reducing renewal costs and evaluating switching between providers.
- Licensing of software for the usage by the entire government, to the maximum extent practicable, under the same terms and conditions, so software can be re-allocated across the government as necessary.
- An annual report to Congress on

[71] Think Zillow for government software.

the current state of the federal civilian software estate including actual spending numbers, utilization versus deployment on the top ten software products along with opportunities for future savings and scorecards calling out laggard agencies.

- A competition advocacy focus to use all the developed assets and expertise to assist agencies in the creation of bonafide open standards based competitions for commercial software whenever feasible.

Most importantly, a bold step to enable and even force true competition, resilience and redundancy for the long term is necessary. The most comprehensive, long-term solution is to mandate requirements for interoperability between software providers and for multiple vendors to win software contracts. This may raise some eyebrows but the reality is improved data about the government's software estate, standard licensing terms, annual reports, and more may not improve competition and prices.

Yes, we will know much more about the incumbent firms, resellers, licensing terms and government IT decisions than we do today but the system that rewards incumbent firms with the majority of software procurement may remain unchanged. A bold step like requiring agencies to award (even an 80-20 split!) software contracts to different vendors with equal and interoperable technology will force competition and cost savings to occur year after year. The dominant provider will keep prices low and services high because an equivalent interoperable alternative will always be right behind them, lurking over their shoulder.

Critics may say this approach will balloon inefficiency and create two software supply chains. First, mandating interoperability will force vendors to align to software standards that will allow seamless integration and switching to occur. Second, vendors will have an incentive to address any inefficiency in their supply chain or risk losing business to a competitor, unlike what happens today. Third, we can't forget that the current system is already wildly inefficient.

Bottom line: the government needs to turn professional. It's time to go pro.

The cost of this will be insignificant in comparison to the billions waiting to be saved.

GAO stated that agencies self-reported saving about $2 billion between 2014 and 2019, by deploying "better" software asset management.[72] All this without knowing what they own or use? Imagine the savings available once actual expertise is engaged!

As always, the devil is in the details

[72] GAO-24-105717 at 14.

and follow through will be necessary. In recent years, there have been OMB directives around Category Management for the improvement of data collection for specific large "Best in Class" contracts. Good news. However, those efforts have been broader in scope and not as focused on actionable outcomes as I am proposing for commercial software.

Nonetheless some of the existing tools developed through Category Management efforts should create a head start for the SAVE proposal. Also, there is a global effort afoot to standardize on contracting documentation so that it is easily machine-readable and reliably digestible for artificial intelligence (AI).[73] **AI can help, but not without expertise to drive it**.[74]

Again, the government's recent One-Gov initiative for acquisition consolidation and direct contracting with GSA is also appropriate and useful.[75] The core problem is the resistance to authentic competition between brands. The OneGov effort creates an excellent platform to begin to effectuate the changes outlined in this proposal.

However, the government needs to keep an eye on one important risk. Too much consolidation could backfire if it inadvertently drives even more vendor-lock by granting brands franchises in exchange for better pricing. **While it may be possible to temporarily push incumbents into better prices, it is only a matter of time before they use their market dominance to drive up pricing once again**. The big software brands are not fools and they are patient. There have been seven presidential administrations since Microsoft first aimed its Office juggernaut at the government. They and the other software giants know how to wait. It is a great idea to bring as much contracting as possible under one roof. It is even a better idea to use that consolidated power to enforce more brand competition and break up vendor lock-in wherever possible.

The permanent fear of losing through competition is the thing that works. Competition driven by data and expertise is the only way to gain control of the commercial software spend, once and for all. It will never be perfect, but it can certainly be better. It won't happen overnight. But every journey begins with a single step. Professional expertise and focus are the answer.

It's time to turn pro.

Find the report online at:
**NetChoice.org/DefeatingVendorLock**



[73] See *Open Contracting in the US Public Sector: Converting Procurements from Documents to Data*, Omid Ghaffari-Tabrizi, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5272584
[74] As we go to press, GSA has released an RFI that represents a comprehensive rethinking of the role of AI in for government procurement; see
https://www.gsa.gov/about-us/newsroom/news-releases/revolutionizing-federal-contracting-gsa-calls-on-industry-for-expertise-08182025
[75] See *Launching the One-Gov Strategy for IT* available at
https://gsablogs.gsa.gov/technology/2025/04/30/launching-the-onegov-strategy-for-it/

# Acknowledgements

I am deeply grateful to Adam Mazmanian, former editor of NextGov/Federal Computer Week for his editorial guidance and his encyclopedic knowledge of government procurement controversies; Aram Mazmanian (no relation), one of the nation's foremost authorities on government acquisition data analytics, who generously provided much of the data for this paper; and Richard Beutel, widely regarded as the father of the Federal Information Technology Acquisition Reform Act (FITARA), whose insights, expertise, and encouragement enriched the writing process. I also wish to thank several significant readers, who prefer to remain anonymous, for their thoughtful feedback and suggestions.

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