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Microsoft, Adobe to Benefit in \$20 Billion U.S. Shift to Cloud

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(Bloomberg) -- Microsoft Corp. and Adobe Systems Inc. are among companies that will gain from a U.S. government shift of as much as \$20 billion in e-mail, website management and claims processing systems to so-called cloud computing.

These services and virtual meetings are among the first computer applications that agencies plan to shift to the cloud, a shared pool of computing resources including servers and data storage operated by contractors, U.S. officials said in more than two dozen interviews conducted by Bloomberg from Feb. 17 to March 7.

Federal agencies came up with the list after Vivek Kundra, the federal chief information officer, asked them in December to identify three systems that they might move to the cloud by June 2012 to reduce the cost of the government's technology programs. Kundra's office hasn't released details of the plans.

As much as a quarter of the \$80 billion the government spends each year on information technology might qualify for the cloud, according to a Feb. 8 report by Kundra. The Homeland Security and Treasury departments each reported at least \$2.4 billion in technology spending that might be moved, the most among agencies.

Among the 24 agencies that are subject to the policy, eight said they planned to move their e-mail programs and seven said they planned to shift their websites to the cloud, according to the survey. At least four agencies mentioned virtual meeting applications. Three agencies didn't respond to interview requests and five declined to comment.

'Natural First Step'

"This is a natural first step in a sense that there's less risk and, in particular, the security concerns are lower for these kinds of applications" than for those managing sensitive data, Warren Suss, president of Suss Consulting Inc., a technology consultant in Jenkintown, Pennsylvania, said in an interview. He called the first round of applications moving to the cloud "plain vanilla, common utilities."

Other companies that offer cloud services to government customers include International Business Machines Corp., Amazon.com Inc. and Google Inc.

"We see that government is overspending on outdated technology, and there's a recognition in government that cloud computing offers a more powerful technology at a lower cost with better security," David Mihalchik, strategy and business development executive at Google, said in an interview.

Agencies identified about 70 programs for "collaboration workflow, infrastructure, business intelligence and information security services to be migrated to the cloud," said Moira Mack, a spokeswoman for the Office of Management and Budget, in an e-mail.

E-mail, Websites

The proposals were due Feb. 11 and are being reviewed by OMB, according to Jim Bradshaw, a spokesman for the Education Department, who is familiar with the initiative.

Agencies such as the Interior and Housing and Urban Development departments and the Small Business Administration listed either e-mail systems or websites as likely candidates to move to the cloud. The General Services Administration proposed using Salesforce.com Inc., based in San Francisco, for database management, Emily Barocas, a GSA spokeswoman, said in an e-mail.

"It's a pretty competitive market," Paul Christy, the chief information officer at the Small Business Administration, said in telephone interview. "When you get the word out there, there's a lot of vendors to choose from, so the government can do pretty well."

"The opportunity is significant both for government and for companies like Adobe," Rob Pinkerton, senior director of product marketing at the company, said in an interview. Adobe's cloud products include Web conferencing and analytics, and document processing.

Claims Processing Systems

Agencies also mentioned systems including one for claims processing at the Veterans Affairs Department, a Defense Department program that estimates travel costs and another that streams video for news and announcements. The Interior Department also listed a system used to organize land evaluations.

"Cloud computing represents far more than just Internet-based e-mail and collaboration applications, and includes shared, private and hybrid-cloud scenarios that span everything from mission-critical applications, to device and systems management," Keith Hodson, a spokesman for Microsoft U.S. Public Sector, said in an e-mail.

The Office of Management and Budget is analyzing agencies' migration plans to make sure they meet the initiative's goals, which require agencies to "evaluate safe, secure cloud computing options before making any new investments" in

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information technology systems, Mack said. She declined to comment on specific agency plans.

More Than E-Mail

The government won't hit Kundra's \$20 billion spending mark by moving programs like e-mail and websites alone to the cloud, said the head of a federal systems division at one of the largest technology contractors in government by sales in an interview. The person asked to remain anonymous given the sensitivity of Kundra's plans.

E-mail will migrate to the cloud first, Kundra said Jan. 11 at a closed conference hosted by the Association of Government Accountants. The organization, based in Alexandria, Virginia, released a white paper summarizing the event.

GSA awarded on Dec. 1 a five-year, \$6.7 million contract for e-mail services to Unisys Corp. in Blue Bell, Pennsylvania, which partnered with Mountain View, California-based Google, Tempus Nova Inc. and Acumen Solutions Inc. The Agriculture Department awarded on Dec. 10 a \$27 million contract to Redmond, Washington-based Microsoft to manage its e-mail system.

'Low-Hanging Fruit'

"E-mail collaboration is a really strong and powerful thing," and "it's one of the sort of low-hanging fruits, but where we really see the value coming in cloud is really thinking beyond those sort of core services," said Robert Ames, director and deputy chief technology officer for IBM Federal, in an interview.

RightNow Technologies Inc., based in Bozeman, Montana, provides cloud services for about 170 federal departments and has saved the government as much as \$4 million for some projects, company spokesman Kevin Paschuck said in an interview.

The savings come from not having to hire customer service representatives, and being able to share infrastructure rather than "build the level of security, backup, recovery, up-time components" that would cost "millions of dollars" at each agency, he said. Cloud services also allow for cost-savings through a "pay-for-what-you-use" model, Paschuck said.