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MEDIA RELEASE

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Federal Government ICT Market normalises after 2008-09 peak

Data released today by *Intermedium* indicates that the Federal Government ICT market returned to more normal levels in 2009-10 following the peak of \$5 billion in total ICT contract value in 2008-09.

Coming in at \$4.4 billion in total value of contracts for 2009-10, the result reflects the lack of large infrastructure and telecommunications deals in 2009-10.

While IT Services continued to be the largest market segment, accounting for \$2.45 billion, or 56% of the market, it fell by 12% on the results for 2008-09, a year which saw outsourcing agreements signed with a combined total contract value in excess of \$1.5 billion. Some of these 2008-09 arrangements will be in place until mid-2014.

Intermedium's Managing Director Judy Hurditch has emphasised the stark difference between the two financial years. "In contrast to the \$1.5 billion figure in 2008-09, we saw approximately \$500m signed for outsourcing arrangements in 2009-10. This has resulted in very few companies participating in the IT services market being able to better their 2008-09 sales results, with most experiencing major drops in their total value of contracts signed.

"Compounding this, in 2009-10 there was not only a relative lack of new infrastructure outsourcing deals to be won, but a significant number of multi-year systems integration projects also wound down, mostly without any emergent projects to replace them in value, scale or scope.

"In our briefing on the 2008-09 year, we called it a 'tale of two markets' because the large deals drove it up so high, while the rest of the market actually fell in that year.

"For 2009-10, we can definitely point to the fact that all IT Services suppliers were feeling the market perform in the same way. Broadly, there has been reduced opportunity to secure new business," Ms Hurditch said.

Telecommunications – which accounted for 13% of the market in 2009-10 – joined IT Services in tumbling, in this instance by a significant 54%.

"For the 2010-11 year and beyond we are likely to see some major structural reforms in the telecommunications market, with the Australian Government Information Management Office, (AGIMO) pushing ahead on co-ordinated procurement initiatives," Ms Hurditch added.

In contrast to the IT Services and Telecommunications falls, Hardware was the fastest growing market from 2008-09 to 2009-10, increasing in value by 34%, while Software – a category that was worth \$750 million in 2009-10 – grew by 15% on the previous year.

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For more detailed analysis of the market results, join us for our Federal Government ICT Market: The Year in Review Briefing.

Event Details:

Date: Thursday 28 October 2010

Time: 07:30-09:30am

Venue: Hotel Realm, Canberra

<http://www.intermedium.com.au/content/federal-government-ict-market-year-review-2009-10>

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