

**GOVERNMENT MARKET
OUTLOOK REPORT**

2011



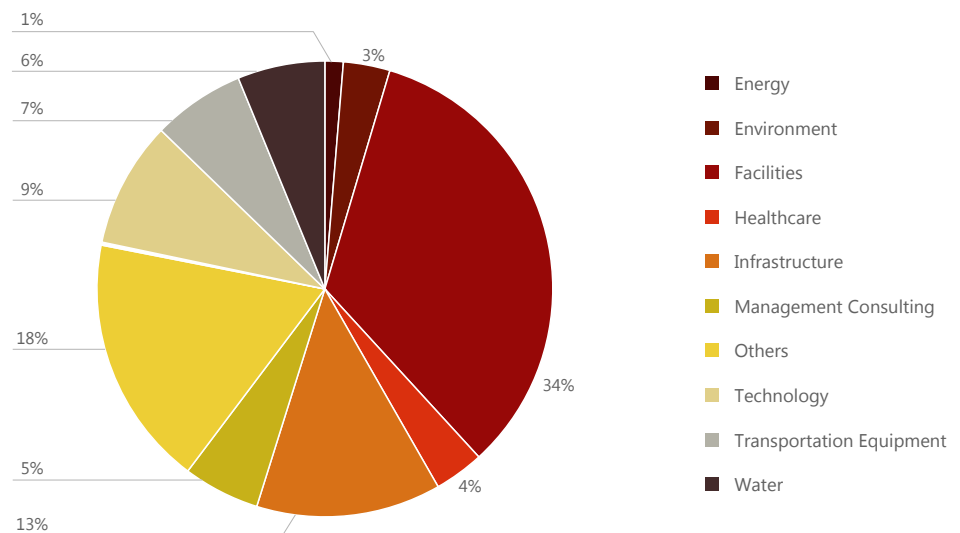
Contents

Page 3	2010 Year in Review Recovery Project Spending in 2010
Page 10	2011: Paving the Way to Full Employment 2011 Forecasts Contracting Pricing Pressure Industry Focus: Transportation Infrastructure Industry Focus: Information Technology Industry Focus: Clean Energy ARRA – What’s Next?
Page 20	Conclusion
Page 21	About Onvia

2010 Year In Review

In 2010 federal, state and municipal government spending was estimated at some \$5.5 trillion. That equates to roughly \$105 billion per week, \$15 billion a day, \$625 million an hour and \$10 million a minute disbursed by government agencies nationwide.

2010 Government Spending by Investment Type



Source: Onvia

2010 was also a year that saw massive infusions of federal cash at the state and local level in an attempt to stabilize the economy and reduce the highest rate of unemployment since the Great Depression.

It marked the second full year of these trillion-dollar efforts, which began in late 2008 with the Troubled Asset Relief Program (TARP) and continued in 2009 with the American Recovery and Reinvestment Act (ARRA), plus a host of smaller programs.

While it may be argued that these extraordinary expenditures successfully prevented an uncontrollable backslide into an even more severe recession, their long-term impact on unemployment is unclear. Onvia's research reveals that some 800,000 private-sector jobs were supported at least in part through stimulus-related projects in 2009 and 2010, but the majority of them were temporary. What's more, many of the jobs created or saved were in the public sector, not private – a major letdown for those who expected the stimulus would jumpstart private-sector hiring.

Despite these lukewarm results, and despite the 2010 elections that returned a balance of power to Congress, government attempts at stimulating job creation will continue in 2011 and for years to come. While the attempts may take many forms – such as business tax credits, tax-cut extensions, greater outsourcing of government services, “quantitative easing” and additional, targeted stimulus packages – there is little doubt the government market will still be a prime source of growth opportunities for businesses of all sizes.

Recovery Project Spending in 2010

Political decisions in Washington take time to have an impact on Main Street. The Recovery Act established a pool of approximately \$275 billion for private-sector projects. This money is the heart of the sales pitch for stimulus funding; it was meant to bring economic development to cities and counties, sustaining businesses and creating jobs. We are soon approaching the two-year anniversary of the ARRA’s passage, yet just 30 percent of its funds have reached the contractors and subcontractors that perform the work. The chart below provides a breakdown of Recovery Act spending through October 2010.

- ▶ Allocated – Dollars have been committed to a specific program or project
- ▶ Advertised – An agency is actively seeking contractors to provide goods and services
- ▶ Awarded – Contractors have been formally selected

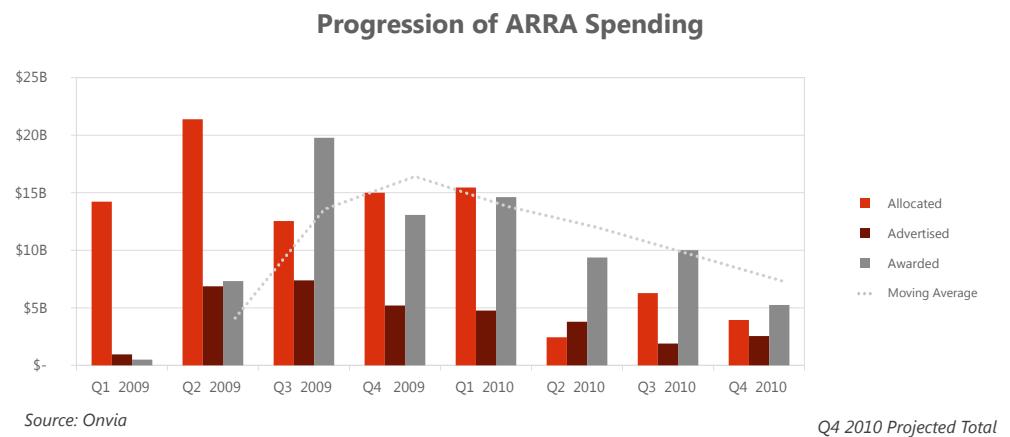
ARRA Contract Spending To Date			
	ALLOCATED	ADVERTISED	AWARDED
TOTAL	\$88,397,472,157	\$31,560,671,352	\$75,917,002,745
	❖	❖	❖
PROGRAM	ALLOCATED	ADVERTISED	AWARDED
INFRASTRUCTURE	\$35,572,375,812	\$6,419,811,673	\$28,472,627,522
ENERGY	\$6,571,423,009	\$1,405,441,388	\$5,727,158,096
TRANSPORTATION EQUIPMENT	\$3,691,925,500	\$294,497,218	\$3,389,907,265
FACILITIES	\$15,830,677,843	\$13,665,588,343	\$18,500,646,045
WATER	\$6,853,495,002	\$1,331,871,929	\$1,945,532,561
ENVIRONMENT	\$3,544,943,137	\$1,618,346,575	\$2,051,354,951
PUBLIC SAFETY	\$352,927,495	\$7,787,741	\$8,184,982
HEALTHCARE	\$92,406,634	\$213,166,890	\$1,331,036,036
MANAGEMENT CONSULTING	\$534,244,509	\$2,395,622,862	\$2,539,999,973
TECHNOLOGY	\$12,731,343,850	\$992,676,491	\$4,820,812,292
OTHERS	\$2,621,709,365	\$3,215,860,241	\$7,129,743,022

Source: Onvia

Through 10/31/2010

We expect to see state and local government agencies award the majority of the remaining stimulus projects to private-sector contractors within the next year. However, the emphasis will shift from “shovel-ready,” which was a myth, to “job-ready,” meaning long-term private-sector jobs rather than temporary or public-sector ones.

As of December 1, 2010, Onvia was tracking roughly 76,000 Recovery Act projects valued at \$196 billion, of which 27,543 projects totaling more than \$76 billion had been awarded to contractors. The bar chart below tracks the pace of Recovery Act contract awards since its passage.

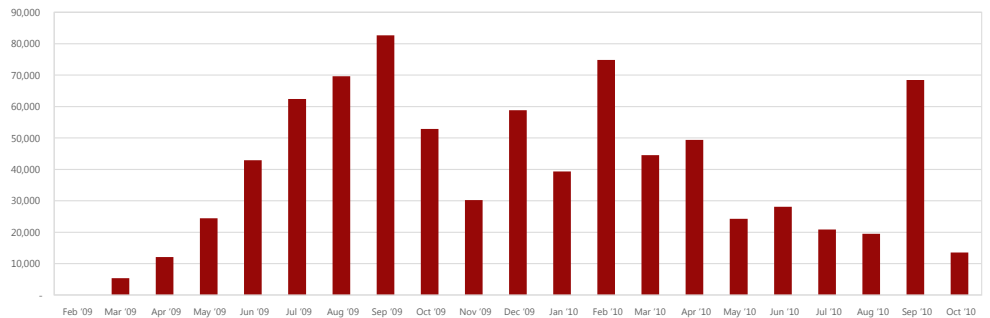


Politicians and media have, for the most part, already passed judgment on the stimulus, with many arguing that it has done little or nothing to boost the economy. And there is broad agreement that the president set expectations too high when he claimed that funds would be spent immediately on “shovel-ready” projects. But so much stimulus funding remains unspent that it is premature to close the book on the Recovery Act. Much of the remaining funds will go to economically valuable, longer-term infrastructure and clean-energy projects, which in turn will create longer-lasting, higher-quality jobs.

In the process of following stimulus-project money from the U.S. Treasury to Main Street, Onvia has uncovered three takeaways worth noting. First, it has been well publicized that “shovel-ready” was an unfortunate choice of words that effectively sold the stimulus to a doubtful Congress but didn’t accurately reflect the reality on the ground. The lesson here is that while stimulus spending can create near-immediate, temporary jobs (such as jobs for road crews on pothole patrol), expenditures of this magnitude simply cannot be plowed into projects fast enough to significantly reduce unemployment.

Onvia calculates the number of ARRA jobs supported based on awarded contract values in conjunction with job-creation costs.

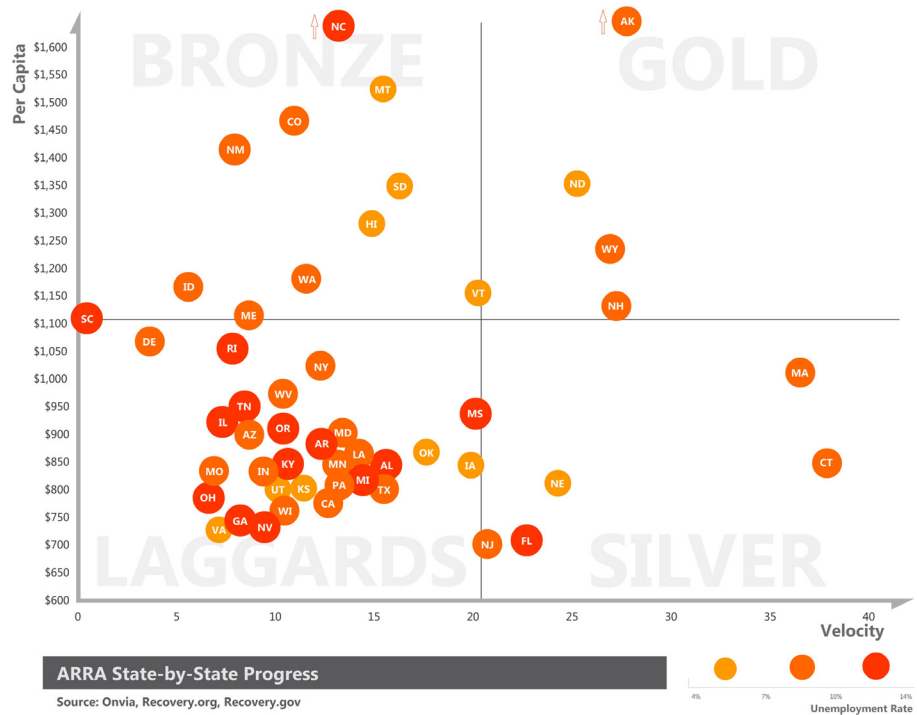
ARRA Jobs Supported
Monthly Totals – February 2009 through October 2010



Source: Onvia

Second, this spending was not well aligned with the need or ability to spend quickly. For example, some states have been far more effective than others at attracting and distributing stimulus dollars. There are instances of states receiving a lot of project dollars relative to their population and spending that money quickly, thereby creating jobs in 2009 and 2010. Other states have attracted few dollars per capita and spent little of what they did receive. And some states were effective in one effort but fared poorly in the other. This reveals that the federal government, perhaps in its rush to get money out the door, did not invest enough time in aligning stimulus projects with need (based on unemployment) or the ability to execute (based on agency capabilities).

Velocity of Recovery Act Spending



Velocity of Recovery Act Spending: The per-capita stimulus funding received by the 50 states for projects from the Recovery Act, and the speed with which the funds have been awarded to contractors, vary by state and region.

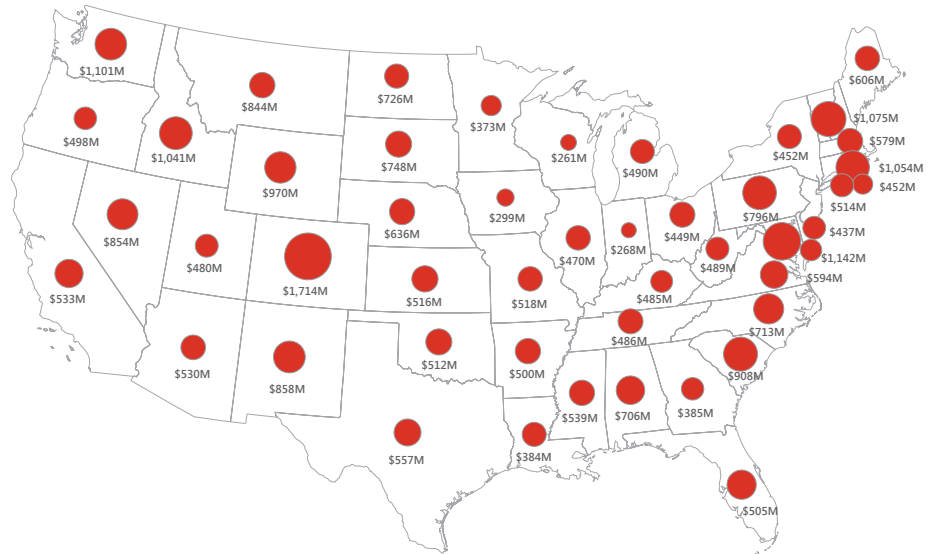
Through 8/31/2010

ARRA State-by-State Progress

Source: Onvia, Recovery.org, Recovery.gov

Source: Onvia

Per-Capita ARRA Spending by State



To date, 30% of the \$275 billion in funds allocated for private sector contracting has been awarded. As of October 31, 2010, Arkansas, North Carolina, Colorado, Maryland and Pennsylvania were the top five states for ARRA project per-capita spending. Wisconsin, Illinois, Tennessee, Nevada and Utah were the bottom five states.

Source: Onvia

Through 10/31/2010

Third, small businesses – which usually cannot afford the zero-margin contracts that larger firms can withstand during an economic downturn – came under enormous pressure in 2010 as intense competition for contracts at all levels of government drove down bid pricing. While this pricing pressure was good for local and state governments’ balance sheets, its impact on small businesses is troublesome and will need special attention by policymakers in 2011 and beyond.

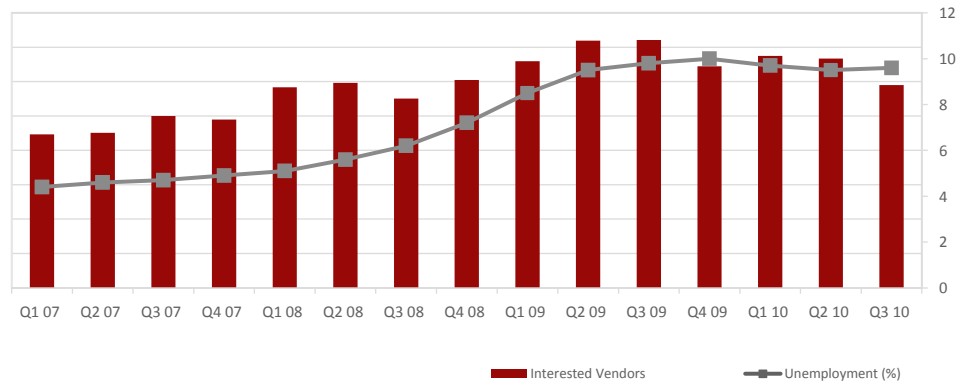
Top Contractors by Value of ARRA Contracts Won

Top ARRA Contractors	Contract Value
Northrop Grumman Information Technology, Inc.	\$2,630,234,000
Summit Texas Clean Energy, LLC	\$1,592,226,000
Northgate Constructions District	\$916,784,000
Kiewitt Pacific Co.	\$430,000,000
Savannah River Nuclear Solutions LLC	\$406,546,000
Clark/McCarthy, A Joint Venture	\$393,883,000
PCL/Archer Western, A Joint Venture	\$389,464,000
CH2MHill	\$373,314,000
Bluefire Ethanol Fuels, Inc.	\$327,349,000
KD ABG MI, LLC	\$321,971,000
Computer Science Corporation	\$321,971,000

Source: Onvia

Given that unemployment rates and economic growth are expected to be generally flat in at least the first few months of the year, the government will remain the "last customer standing" for many businesses.

gBusiness Pursuit Trends



Across the top 200 counties and cities in the U.S., the volume of businesses pursuing government contracting is in step with unemployment rates and can serve as a leading indicator of economic health.

Source: Onvia

With transparency and accountability now at the forefront of civic discourse, access to more granular spending data is rapidly increasing. Whether it is the recent addition of sub-award information on USASpending.gov or the congressional district-level views of Recovery Act projects, we are seeing a growing emphasis on the politically equitable distribution of funds.

Top 10 Congressional Districts by ARRA Funding

State	Congressional District	Contract Value
PA	District 14	\$5,691,755,673
CO	District 6	\$4,070,567,925
MA	District 7	\$2,947,813,243
MD	District 8	\$1,386,668,953
VA	District 8	\$1,251,805,329
NY	District 10	\$913,227,083
MD	District 4	\$847,205,054
NY	District 14	\$770,459,900
MD	District 6	\$748,054,085
NC	District 13	\$615,334,277

Source: Onvia

Sample ARRA Projects in Top-Funded Congressional Districts

PROJECT NAME	AGENCY	STATE	CD*	CONTRACT VALUE
State-of-the-Art Experimental Physics Laboratories	University of Pittsburgh	PA	14	\$27,800,000
Railroad Relocation	Pennsylvania Department of Transportation	PA	14	\$21,897,594
Facility Updates for the City-County Building	City of Pittsburgh	PA	14	\$3,250,000
Data Center Transformation from Always On to Always Available	US Department of Energy, National Renewable Energy Laboratory	CO	6	\$10,160,624
Jadoo Power Fuel Cell Demonstration	US Department of Energy, National Renewable Energy Laboratory	CO	6	\$4,342,819
Advanced Stimulation Prediction Model for Enhanced Geothermal Systems	Colorado School of Mines	CO	6	\$1,170,597
Extramural Research Facilities Improvement Program	Massachusetts Institute of Technology	MA	7	\$15,000,000
Photovoltaic Systems with Power Purchase Agreement	City of Waltham	MA	7	\$9,000,000
ARRA Fire Station Construction Program (SCG)	City of Chelsea	MA	7	\$1,515,020
Early Head Start National Resource Center	US Department of Health and Human Services	MD	8	\$42,846,244
Roofing Replacement at the National Institutes of Health	National Institutes of Health	MD	8	\$11,404,185
Construction of an Emergency Services Facility at NIH	National Institute of Standards and Technology	MD	8	\$6,264,400
Four New Alexandria Trolleys	Virginia Department of Transportation	VA	8	\$2,400,000
Falls Church Street and Sidewalk Improvements	Virginia Department of Transportation	VA	8	\$275,000
Repairs to Coney Island Boardwalk	City of New York	NY	10	\$15,000,000
Improvements to Brooklyn Navy Yard	New York City Economic Development Corporation	NY	10	\$4,750,000
Heating Upgrade at Kingsborough Houses	New York City Housing Authority	NY	10	\$2,910,000
New Bus Body and Paint Shop	Washington Metropolitan Area Transit Authority	MD	4	\$3,878,819
Demolition and Reconstruction of the Southbound Passenger Platform	Maryland Transit Administration	MD	4	\$1,668,968
Install Automatic Vehicle Locator System	Maryland State Highway Administration	MD	4	\$600,000
Deploy a Wide-Range of Grid-related Technologies	Consolidated Edison Company of New York, Inc.	NY	14	\$272,341,798
Transit Security Grant Program	Metropolitan Transportation Authority	NY	14	\$35,904,000
Penn Station Complex Perimeter Protection Project	Metropolitan Transportation Authority	NY	14	\$10,000,000
Wastewater Collection System	Town of Williamsport	MD	6	\$1,450,000
Various Bus and Vehicle Replacements	Maryland State Highway Administration	MD	6	\$1,336,600
Facility & Equipment Upgrades	Maryland State Highway Administration	MD	6	\$48,500
Build a Green Smart Grid Virtual Power Plant	Progress Energy	NC	13	\$520,000,000
Wilders Grove Solid Waste Service Center	City of Raleigh	NC	13	\$2,597,250
Solar Thermal Systems	Elon University	NC	13	\$482,734

*CD = CONGRESSIONAL DISTRICT NUMBER

Source: Onvia

2011: Paving the Way to Full Employment

With government spending at an all-time high and 70% of the \$275 billion committed to ARRA projects still unspent, 2011 is shaping up to be a strong year for government contracting at all levels.

For business owners and managers, a “new normal” is increasingly coming to light, one in which government transparency is heightened and business and government operate more closely. As a result, forward-thinking organizations are now incorporating the public sector into their go-to-market strategy to take advantage of this large and growing marketplace.

Regardless of one’s political persuasion or views on the proper role and size of government, the reality is that business leaders who ignore the government market do so at their own peril. So many more businesses are now paying attention to the public sector that ignoring the opportunity to do business with the government is a competitive disadvantage.

Though the pursuit and capture of government contracts is a somewhat different process than the typical business-to-business model, it is most definitely not as arcane or confusing as it was in previous decades. Streamlined contracting rules, digital technologies and the freer flow of information have revolutionized the process. And the timing couldn’t be better: Government contracting is helping to fill the gaping holes in the economy left by the recession.

Job creation will be the primary focus of policy efforts and discretionary federal spending decisions in 2011 (discretionary spending is subject to annual appropriations bills in Congress; most of the remainder of federal spending is on entitlements such as Medicare and Social Security payments).

While the Administration set recovery expectations far too high in 2009 and 2010, there are important lessons for policymakers to learn from the first two years of stimulus spending. First, projects that create long-term jobs and focus on the nation’s infrastructure (i.e., ones that will support real economic growth) require months if not years of planning. Initially these projects create jobs in such trades as design and engineering, but relatively few of these workers are needed. Once an infrastructure-related project breaks ground, however, substantial sums are spent on work crews and subcontractors – high-quality jobs that are required for long periods. The completed project, such as a high-speed rail line or a green energy plant, then becomes an

economic engine of its own as businesses gravitate to the new infrastructure and plan for growth around it.

The reality is that the federal government is virtually powerless to create high-quality employment in the private sector within the first few years of allocating funds to a project. However, it has an enormous capacity to spur long-term economic growth and employment by investing in major infrastructure projects that will make businesses more efficient and globally competitive.

Outsourcing and public/private partnerships (PPPs) serve as additional strategies to more effectively manage government spending and create private-sector jobs. Onvia reports a 25% increase in outsourcing activities in 2010 as compared with 2009. These partnerships, in which government is guaranteed a revenue stream and private industry bears the cost risk, have been applied to everything from administration of state employees' medical benefits to highway design and engineering.

For example, in a December 2010 request for proposal, the Georgia Department of Transportation (GDOT) was seeking a Master Developer to partner with GDOT in the planning, development, design, financing, construction and property management of the Atlanta Multi-Modal Passenger Terminal (MMPT). As stated in the RFP, "public funding may be available to support pre-development activities, and also may be required to subsidize land assembly, transit-related site improvements and the construction of the transportation facilities. GDOT anticipates that, once the MMPT project is completed, income from revenue generating uses will be shared based upon terms and conditions that are consistent with commercial market frameworks and that the public portion of such revenues will be used to defray the costs of operating and potentially constructing the transportation facilities utilized by certain of the MMPT Stakeholders. Therefore, a phased but long term public-private relationship is envisioned."

Politically, we do not expect the new balance of power in Washington to disrupt the macro trend of government's increasing contribution to the GDP, which is approaching 50% (a level not seen since World War II). Though gridlock on annual appropriations bills, earmarks and other political flashpoints may create uncertainty and spending cuts, its impact will be at the margins of the overall federal, state and local government marketplace.

2011 Forecast

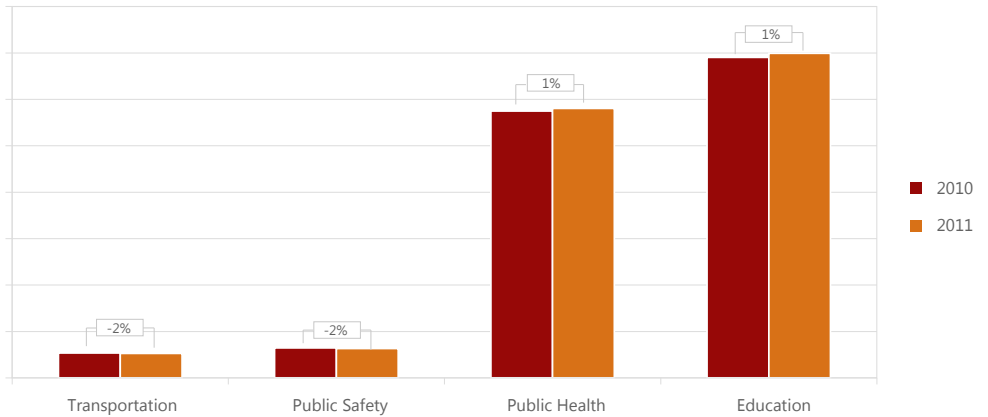
Spending by state governments has finally begun to rebound from recessionary lows, thanks in part to increased tax revenues from the recovering economy. Even so, these revenues remain far below pre-recession levels, and states are still under pressure to eliminate programs and departments and raise taxes to cover budgetary shortfalls.

"It looks like many states have sort of turned the corner on the worst of the revenue downturn," said Corina Eckl, director of the National Conference of State Legislatures' fiscal-affairs program. But "it's going to be a pretty sluggish recovery."

Despite a still-struggling economy, government at all levels remains the largest purchaser of goods and services. Onvia expects the volume of gBusiness transactions in 2011 to remain at 2010 levels.

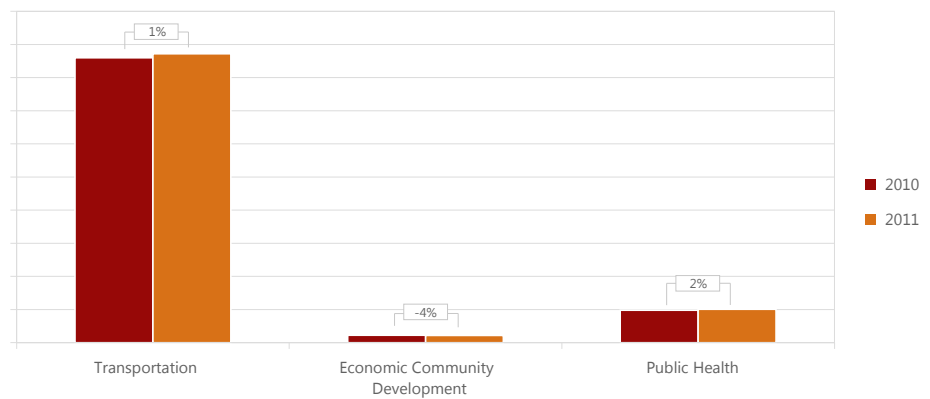
Based on approved 2011 budgets across state, county and municipal governments, year-over-year expenditures for essential services such as public health and safety will remain flat. That said, since the start of FY 2011 new budgetary gaps have opened in at least 15 states, and there'll be \$38 billion less in Recovery Act funding available to states in FY 2012.

Expected Year-over-Year State Spending Trends



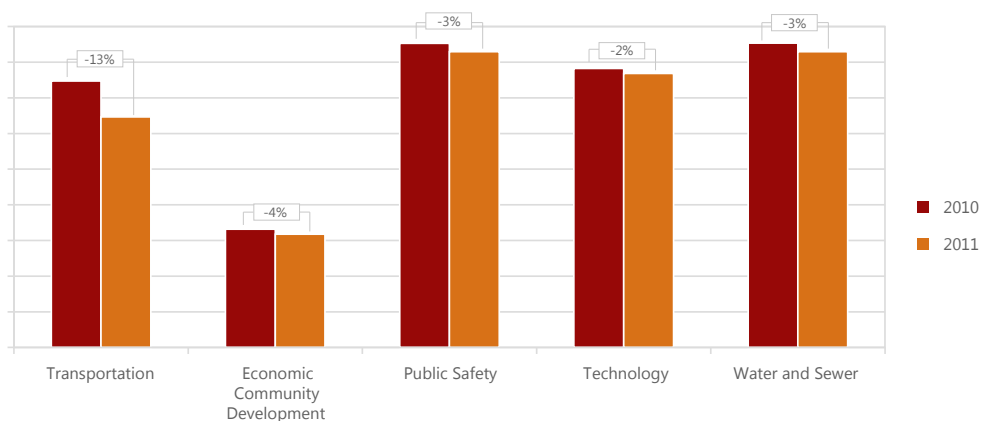
Source: Onvia

Expected Year-over-Year County Spending Trends



Source: Onvia

Expected Year-over-Year Municipal Spending Trends



Source: Onvia

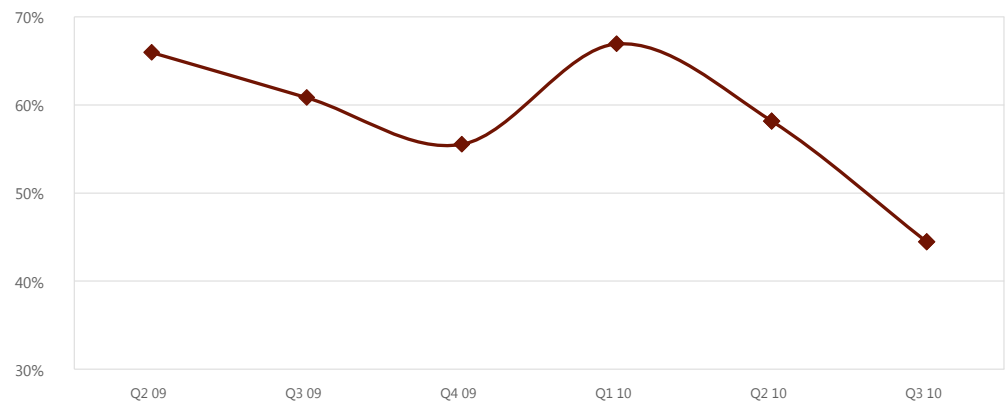
With the exception of a double-digit drop in transportation spending in cities, 2011 spending by government agencies at the state and local levels is expected to be only marginally changed compared with 2010 spending.

Contracting Pricing Pressure

Since the passage of the ARRA, Onvia has been reporting on pricing trends in government contracts. As traditional business-to-business transactions lag, the influx of companies turning to government contracting as a source of revenue continues to put downward pressure on the price of goods and services.

Early 2010 brought a brief rebound in contract values driven by price increases in key building materials. But as the chart below illustrates, by the end of the third quarter of 2010 actual contract values as compared to budget estimates had reached their lowest point since the onset of the recession, with values at just 45% of expected cost. This has helped to stretch public-sector dollars, but with so many struggling businesses in competition for contracts, already thin margins are dwindling to break-even and, in some cases, net negative.

ARRA Contract Values Trend as Percentage of Estimated Project Value
Through September 30, 2010



Source: Onvia

This prolonged period of extreme competition has favored well-capitalized businesses that are better positioned to price strategically and ride out the downturn. Unfortunately, small businesses, which would otherwise be an engine for job growth and innovation, have suffered greatly.

Industry Focus: Transportation Infrastructure

With a long-term transportation funding bill hanging in the balance – coupled with the wind-down of ARRA funding – spending on transportation infrastructure is expected to decrease in 2011. According to the American Road & Transportation Builders Association, 2011 public spending on highways, roads and bridges will total \$78.5 billion, down 4.4% from the 2010 estimated investment of \$82.2 billion.

The lack of a comprehensive transportation bill puts additional stress on economic recovery, because businesses that would otherwise make capital investments in new equipment are unable to project the demand for their products and services.

Although state and local governments continue to struggle to meet their budgets, voters were highly supportive of ballot measures to fund regional transportation initiatives. Approval ratings across all state transportation measures averaged 71%, compared to half of that for all other ballot measures.

Considering the estimated \$2 trillion that will be required to bring deficient roads and bridges up to standards, there is no shortage of work to be done. But it is unlikely that regional funding alone will be able to address even the current level of backlog.

Sample 2011 Transportation Infrastructure Projects

Project	Agency	Estimated Value
US 202-700 Intelligent Transportation Corridor	Bucks & Montgomery Counties, PA	\$5M-\$10M
Richardson Hwy Bridge Replacement	AK DOT	\$10M-\$20M
Safe Routes to School	City of Palmdale, CA	\$900K
Atlanta Streetcar	City of Atlanta, GA	\$72M
East Bay Pedestrian and Bicycle Network	East Bay Regional Park District, CA	\$43M
Owasco River Multimodal Trail Corridor	City of Auburn, NY	\$1M
Terminal 6: Passenger Bridge Improvements	Tampa Port Authority, FL	\$200K
Community Facility Infrastructure Improvement	Lake of the Ozarks Community Bridge Transportation Development District, KS/MO	\$30M
Permanente CK, SF Bay-foothill Expressway - Phase 1A	Santa Clara Valley Water District, CA	\$14.5M
Newark Train Station Improvement Plan	Wilmington Area Planning Council, NJ	\$3M

Source: Onvia

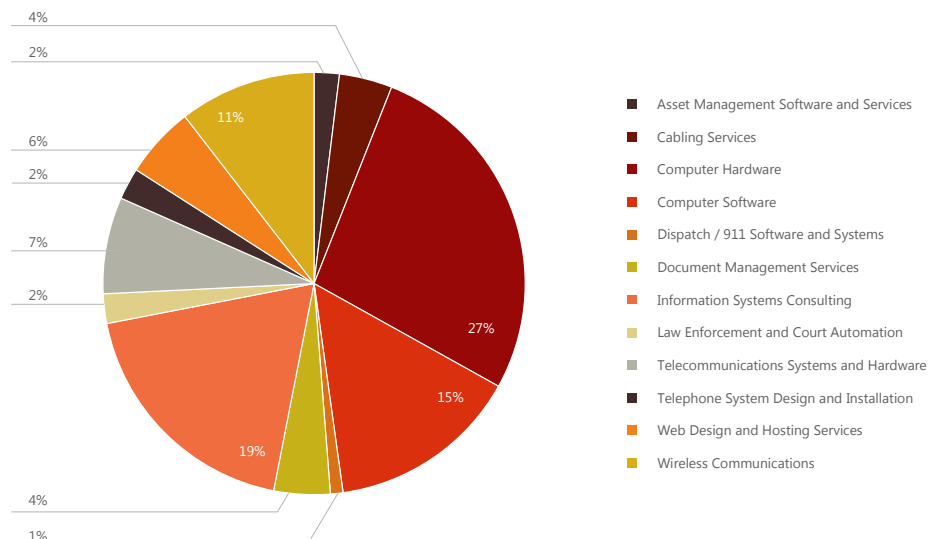
Industry Focus: Information Technology

With information technology as a key underpinning across all government sectors, Onvia expects continued strong investment in the industry with a growing focus on healthcare. This emerging market is dependent upon the development of scalable safeguarded platforms. State Health Information Exchanges are mandated to be operational by 2014, so both policy and technology initiatives must gain momentum in 2011.

- ▶ According to BCC Research, the U.S. market for healthcare IT was estimated at \$4.0 billion in 2009. This should increase to \$9.0 billion in 2014, a compound annual growth rate (CAGR) of 17.5%.
- ▶ The healthcare software applications segment dominates the market, generating an estimated \$3.4 billion in 2009. This should increase to \$7.2 billion in 2014, for a CAGR of 16.4%.
- ▶ Dedicated hardware for healthcare-related technology is the second largest segment, worth an estimated \$636.8 million in 2009. This should increase to \$1.8 billion in 2014, for a CAGR of 22.9%.

In terms of general technology investments across all levels of government, the highest priority initiatives in 2011 will be those that further energy efficiency, cost savings and transparency.

Expected 2011 Distribution of Government Technology Investment



Source: Onvia

Industry Focus: Clean Energy

Driven by recent economic and environmental events, there has been a shift in the perception of clean energy from being an alternative to petroleum dependency to being centered on energy security. Although policy issues continue to evolve, the public sector markets will continue to advance green energy investments in 2011.

Although the Recovery Act provided substantial funding for clean energy, continued access to capital will influence the type and size of investments. Less capital-intensive solutions such as photovoltaics will grow at a faster rate than their wind-farm counterparts, which have a slower rate of return.

Onvia expects to see continued deployment of smart-grid-related technology and equipment as investments from the Recovery Act are realized. The success of smart-grid programs will be dependent upon the ability of supporting telecommunications, cybersecurity and data-management partners to keep pace.

2011 Sample Energy Projects

Project	Agency	Estimated Value
100 Kw Photovoltaic System	Clark County Water Reclamation District, NV	\$600K
Biomass Energy System	Sullivan County School District, PA	\$630K
Landfill Gas Beneficial Use	Central Ohio Solid Waste Authority, OH	TBD
Construct a Wind Turbine	Town of Tiverton, RI	\$580K
Electric Vehicle Equipment	City of Seattle, WA	TBD
Jischke Hall Airflow and Energy Demand Reduction	Purdue University, IN	\$110K
Smart Grid - Meter Data Management Systems	City of Fort Collins, CO	TBD
Solar Canopies	Mendocino Transit Authority, CA	\$470K
Solar Energy Pilot Project	Roseburg, OR	TBD
Wind Energy Development	Texas Tech University, TX	\$620K
Wind Turbine and Geothermal Improvements	City of Tuscola, IL	\$408K

Source: Onvia

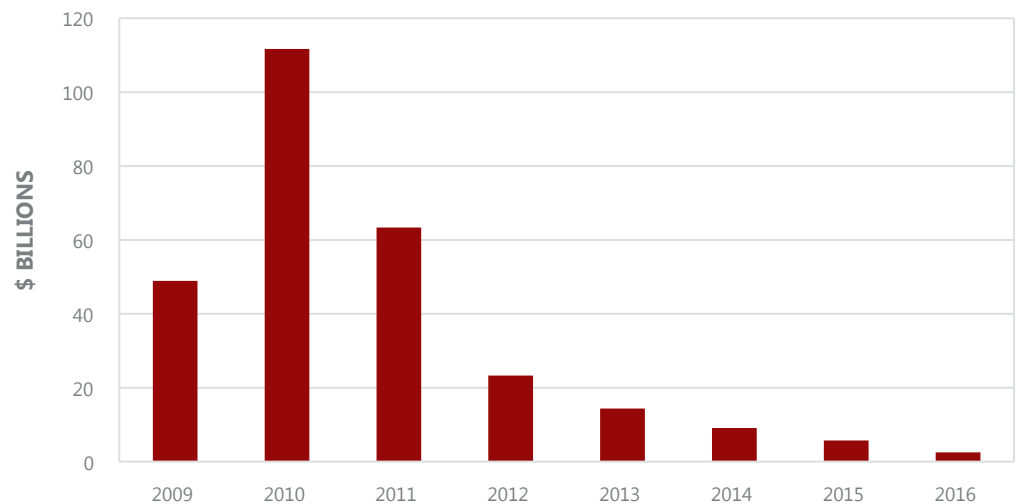
ARRA - What's Next?

With a new Congress set to convene in January 2011, there has been some discussion of repurposing unspent Recovery Act funds. Though it is possible to reclaim unspent funding, Congress should understand the long-term impact of such a move.

Though the Obama administration's expectations for near-term job creation proved inaccurate, the intent of the Recovery Act was to drive economic growth through a combination of short-term and long-term investments.

The short-term investments were grounded in so-called "shovel-ready" projects intended to address the nation's considerable backlog of infrastructure maintenance and to create immediate, although short-term, jobs. The long-term investments are intended to focus on larger, capital-intensive projects such as high-speed rail and broadband expansion that positively impact America's competitiveness in the global economy.

Federal Government ARRA Outlays to States and Localities



Source: Onvia

Although 2010 represents the high point in Recovery Act spending, there is a long tail of expenditures that carries through 2016. Laying the foundation for long-term growth is, by design, an extended process. For example, it takes years to fund the development and deployment of energy-efficiency technologies such as smart grid.

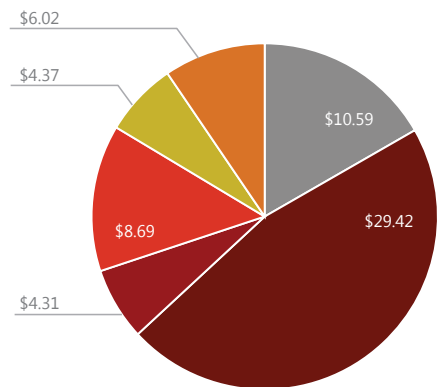
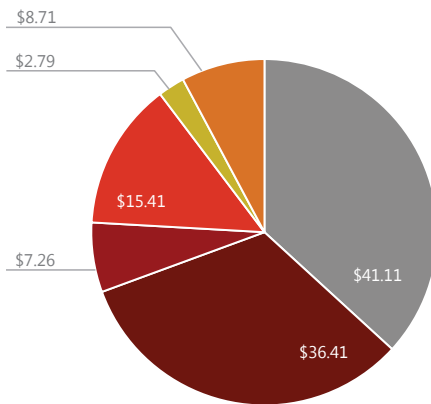
If we fail to devote the resources now to the drivers of a new economy, any short-term upside from reallocating stimulus funding will be negated by the further decline in America's ability to compete globally. We must balance our priorities with eyes wide open.

Composition of State and Local ARRA Funding

ACTUAL FISCAL YEAR 2010 - \$111.7 BILLION

ESTIMATED FISCAL YEAR 2011 - \$63.4 BILLION

- Health
- Education and Training
- Energy and Environment
- Transportation
- Community Development
- Income Security



Source: Onvia

Conclusion

Though it's easy to get distracted by the turmoil in Washington and the strident debates over taxes, deficits and stimulus, businesses should step back and assess the bigger picture: Government spending as a percentage of GDP is at an all-time high and there is nothing to indicate a precipitous decline any time soon.

The \$5.5 trillion government marketplace will continue to be a source of revenue and growth for many thousands of businesses in 2011 and beyond. This spending, coupled with unprecedented transparency and a political imperative for more effective deployment of government dollars, means businesses of all sizes should take the gBusiness market seriously.

Policymakers must also recognize that government spending, when conducted strategically, can return valuable long-term economic benefits and global competitive advantages. Spending on pothole patrols may be fine for the short term, but major spending on infrastructure is what spurs real economic growth, despite the long interval between the approval of funding for a project and breaking ground.

Elected leaders should also focus on small businesses, a segment that typically leads the U.S. economy out of recession. The ARRA allocations were so vast and the pressure to spend quickly so great that larger incumbents were the primary beneficiaries of the initial wave of projects.

Additionally, the intense competition for government work, fueled by the lack of opportunities in the private sector, led larger incumbents to slash prices and bring margins down to zero, or even into negative territory. This has crowded out smaller businesses, depriving them of an opportunity to fully participate in the recovery.

Thankfully, fraud appeared to be minimal, thanks to the federal government's intensive efforts to ensure that stimulus funds were deployed properly. This is good news for businesses that seek fair competition for contracts.

Onvia expects that 2011 will be a year of continued reassessment of the role of government in the U.S. economy, and that the "new normal" of close cooperation between business and government will be further revealed. Government spending will continue at record levels, with unprecedented levels of transparency. To remain competitive, businesses must incorporate the government segment into strategic planning as a source of revenue and growth in 2011 and for years to come.

About Onvia

For more than 12 years Onvia (NASDAQ: ONVI), the gBusiness Innovator, has been successfully delivering the research, analytics and tools companies rely on to succeed in gBusiness – the intersection of business and government and a \$5.5 trillion market. Onvia tracks, analyzes and reports the spending of more than 89,000 federal, state and local government agencies, giving companies a single source for conducting open, intelligent and efficient business with government. Along with providing an exclusive suite of integrated business tools for a wide variety of industries, Onvia offers Recovery.org, a free website that tracks Recovery Act-funded projects.

Onvia
509 Olive Way
Seattle, Washington 98101
206.282.5170
www.onvia.com
www.recovery.org

