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MAKING NETWORX WORK: AN EXAMINATION OF GSA'S CONTINUING EFFORTS TO CREATE A MODERN, FLEXIBLE AND AFFORDABLE GOVERNMENT WIDE TELECOMMUNICATIONS PROGRAM

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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MAKING NETWORX WORK: AN EXAMINATION OF GSA'S CONTINUING EFFORTS TO CREATE A MODERN, FLEXIBLE AND AFFORDABLE GOVERNMENT WIDE TELECOMMUNICATIONS PROGRAM

WEDNESDAY, SEPTEMBER 15, 2004

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:15 a.m., in room 2154, Rayburn House Office Building, Hon. Tom Davis (chairman of the committee) presiding.

Present: Representatives Tom Davis of Virginia, McHugh, Mica, Ose, Lewis, Platts, Waxman, Maloney, Cummings, Kucinich, Clay, Watson, Ruppersberger, and Norton.

Staff present: Melissa Wojciak, staff director; David Marin, deputy staff director/communications director; Ellen Brown, legislative director and senior policy counsel; John Hunter, counsel; Robert Borden, counsel/parliamentarian; Robert White, press secretary; Drew Crockett, deputy director of communications; Edward Kidd, professional staff member; John Brosnan, GAO detailee; Teresa Austin, chief clerk; Sarah Dorsie, deputy clerk; Corinne Zaccagnini, chief information officer; Phil Barnett, minority staff director; Michelle Ash, minority senior legislative counsel; Mark Stephenson, minority professional staff member; Earley Green, minority chief clerk; and Jean Gosa, minority assistant clerk.

Chairman TOM DAVIS. The hearing will come to order. I ask that my total remarks be put in the record. As all of you know, Congress is in the mad dash to adjournment. But I thought it very important before the close of this Congress to hold this hearing and make a few points to GSA, to the industry, and especially to the agencies.

We have a couple objectives this morning. The first is to receive a progress report from GSA on the Networx procurement, and underscore to GSA and all of the parties interested in this procurement just how important I think Networx is to the Government.

More than ever, and for reasons all of us know, the U.S. Government must be able to move information seamlessly, securely, efficiently, in the most cost-effective manner possible. This is best accomplished through a centrally managed communications environment.

GSA is in the best position, both historically and in terms of its jurisdiction, to manage this environment. Networx must be this en-

vironment. In my mind, Networx must include a spectrum of services to allow agencies flexibility in meeting diverse requirements.

This should include the ability to introduce new technologies, in this rapidly changing technology sector. And this should have a minimum contract value to assure the best industry participation. But, a minimum contract value can only be set by GSA if agencies and departmental participation is assured.

As the chairman of the committee, I want to ensure every agency participation in Networx, because it is important to the operation of our government, and because it is the historic and jurisdictional responsibility of this committee to do so.

Agency participation is best assured when agencies feel ownership of the contract. I think Don Scott is here today, representing EDS. He understands this point, because the Interagency Management Council he put in place for the original FTS 2000 set the stage for what I hope GSA considers for Networx. I want to see a Networx government that relies on both the Federal CIO Council and OMB's Office of Electronic Government for its management.

The second message I want to deliver is the importance of ending the popcorn creation of networks across the government that too often are not interoperable, are agency or mission specific, and are expensive. Departments with telecommunications procurements underway today first must view Networx as the ultimate solution, and second, should consider strongly the existing FTS 2001 environment as the bridge until Networx is awarded.

I express this view to the Treasury Department in correspondence and directly by phone with regard to the current telecommunications procurement.

On this point, I am very disappointed that the Treasury Department elected to decline my request to participate in the hearing today. I am also disappointed that Treasury has yet to respond my letter asking that their current telecommunications procurement by reconsidered and ported to FTS 2001 pending award of Networx. I am disappointed that my request that the Treasury CIO meet with my staff has yet to be met.

OMB's Office of Electronic Government shares my views about Networx and about Treasury's procurement in particular. This office, which was created by legislation I authored and this committee steered, understands the importance of an enterprise environment for communications and other components of what is termed enterprise architecture. This was the vision behind the creation.

Treasury has chosen to disregard OMB's guidance, declined GSA's proposal that could very quickly produce substantial savings, and contribute to the communications environment many of us envision, and apparently disregard this committee's express concerns as well.

Treasury's record of IT management doesn't justify such disregard. In fact, tax system modernization itself would suggest that the Department very seriously consider the advice it is receiving. This program started seven Presidents ago with Richard Nixon, has consumed billions and billions of taxpayer dollars, and it is still unfinished.

I focus on Treasury, but my message is to all of the agencies, a vision which I know is shared by the majority of our committee col-

leagues, is for agency CIOs to report their requirements to departmental CIOs, and departmental CIOs to work with GSA to ensure their inclusion in a more unified centrally managed communications environment.

So let's be clear. The committee intends to look carefully and critically at any communication procurement going forward to determine, first, whether it can be met through Networx, and second, whether FTS 2001 can satisfy its requirements as a bridge contract until award.

Now, our Government finds itself today in one of the most critical periods in our Nation's history. Its ability to effectively move information is directly related to our national security. Further, its ability to move information also is directly related to the committee's jurisdiction. As chairman, I take that responsibility seriously, that is why we are here today.

I look forward to the testimony.

[The prepared statement of Chairman Tom Davis follows:]

Opening Statement of Chairman Tom Davis
"Making Networx Work: An Examination of GSA's Continuing Efforts to Create a Modern, Flexible and Affordable Governmentwide Telecommunications Program."
September 15, 2004
10:00 a.m.
Room 2154, Rayburn House Office Building

Good morning, I would like to welcome everyone to today's oversight hearing on the General Services Administration's (GSA) on-going efforts to develop its latest government-wide voice and data telecommunications program, Networx. This hearing is a part of the Committee's continuing efforts to gather information from industry and other stakeholders to find out whether GSA's acquisition strategy, as it has evolved from its Request for Information issued last October, will be effective in today's dynamic telecommunications environment.

Since the Committee's last hearing, GSA has spent months listening to industry, customer agencies and Congressional and other stakeholders. As a result it has changed its strategy significantly. During this time I have monitored the progress of Networx, conferring with all of the stakeholders and GSA, and consulting with experts, including the Government Accountability Office (GAO). The Committee will continue to monitor Networx closely as it progresses from a strategy, to an acquisition, and on to an operating program.

Under the revised strategy, Networx will continue to be a two-part program. However, GSA now plans to award both portions concurrently, as opposed to the originally planned sequential awards. The full service portion is still called Networx Universal and will continue to provide for the full range of domestic and international network services. However, to broaden the field of competition, GSA no longer plans to require "ubiquity" for full service but will mandate "continuity" with current FTS2001 coverage, a reduction of 70% in wire center requirements. Similarly, billing requirements are to be greatly reduced. The smaller, more focused service portion has been renamed Networx Enterprise. While it is still designed to allow participation by providers who offer specialized services with less extensive geographic coverage than required by Networx Universal, Enterprise will now reduce its geographic coverage requirement and require fewer mandatory services.

Both Networx Universal and Networx Enterprise provide for multiple award contracts with relatively low minimum revenue guarantees. The contracts are to span four years, with three two-year options. The planned schedule provides for the issuance of a draft solicitation on November 1, 2004, a final solicitation on April 1, 2005 and award by April 2006. GSA also says that the Networx program will more fully involve the use of multiple award schedule contracts. These changes are wide-ranging and appear to represent good progress.

Through this hearing I hope to learn whether these changes have produced a revised acquisition strategy that is more likely to provide robust competition from the entire spectrum of the marketplace and to attract customer agencies to participate by providing the best value solution for agencies' telecommunications requirements.

I look forward to hearing the stakeholders' views on whether the new strategy will have a positive impact on the challenges that have been raised under the initial plan concerning the participation of all segments of the industry, billing, transition, and access to the most current technology. Further, I intend to examine whether GSA has the capacity to advance from the current planning stage to the execution of what will be a complex and challenging acquisition. The key to success here is for GSA to take advantage of the wealth of information that has been made available to it throughout the comment and discussion process and through these hearings.

This knowledge, not the designs of the past, should guide the structuring of a flexible telecommunications program based on current and future markets and evolving government needs. The contract vehicles that result from this revised strategy must be flexible and expansive enough to capture the scope of the current telecom market. That market no longer merely supplies phones on a desk but responds to customers' needs for secure information and data that are critical to the operation of any enterprise. The Networx program must be crafted to become the "best choice" for customer agencies as they design telecom plans to meet their diverse management challenges.

Chairman TOM DAVIS. Any other opening statements? Any other Members wish to make opening statements? If not, as you know, it is our policy that we swear in witnesses. If you would rise with me and raise your right hands. We have two distinguished panelists to open.

We have Sandra Bates, a Commissioner of the Federal Technology Service, the U.S. General Services Administration, and we have Linda Koontz, the Director of Information Management Issues, U.S. Government Accountability Office.

[Witnesses sworn.]

Chairman TOM DAVIS. Thank you very much. Please be seated.

Sandra, you are no stranger to this committee. We will start with you. Then we will go to Ms. Koontz, and then we will move to questions. Thanks for being here.

STATEMENTS OF SANDRA BATES, COMMISSIONER, FEDERAL TECHNOLOGY SERVICE, U.S. GENERAL SERVICES ADMINISTRATION; AND LINDA KOONTZ, DIRECTOR, INFORMATION MANAGEMENT ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. BATES. Mr. Chairman, members of the committee, thank you for the opportunity to speak to you today. Our Networx procurement is at an important stage. We consider Networx to be far more than just another in a series of Federal telecommunications contracts.

Networx is an initiative whose success can profoundly affect the government's ability to move information at a reasonable cost to the tax-paying public. Its success depends on many factors. Networx will result in a series of contracts that are designed to meet the existing and emerging needs of our customers as addressed through our goals.

The goals are: Service, continuity, highly competitive prices, high quality service full service vendors, alternative sources, operations and transition support, and performance based contracts.

Networx will provide a seamless, interoperable and secure operating environment for the Federal Government. The innovations and creativity of the industry will be challenged by Networx. We have revised our Networx strategy based on the guidance from this committee, our customers, and the industry.

Since our last discussion, we have had an ongoing dialog with industry and others to mature our strategy. As a result of this dialog, we observed four primary concerns that I will briefly address.

One, should we relax our nationwide service requirement formerly referred to as "ubiquity" and allow for a less stringent requirement that will not compromise our goals? The answer to this question is yes.

We have reduced our nationwide wire center pricing requirement by 70 percent. We believe this change will result in greater competition while sustaining service continuity for our customers.

Two, could our goals and objectives be accomplished with one acquisition or must we have two? Our original approach suggested dual acquisitions awarded 9 months apart. After careful consideration, we determined that dual acquisitions are still required, but they will be awarded simultaneously.

Three, are the ordering and billing elements described in the RFI too complex and extensive, resulting in the potential for limited competition? We determined that they are too complex and extensive. We have reduced them by 62 percent.

Finally, what should the role of the multiple award schedules be in Networx? We believe that the schedules play a valuable role in helping agencies craft solutions. The ongoing expansion of schedule holders will complement the Networx program and continue to provide our customers with choice.

The revised strategy has been accomplished without compromising our program goals. We are excited about the environment we will create with our two acquisitions, Networx Universal and Networx Enterprise.

Networx Universal will serve as our full service continuity acquisition. The entry criteria has been greatly reduced, making it possible for more companies to compete.

Enterprise is designed to attract IP or wireless-based offerors who do not provide the broad range of services offered by Universal. They have a significant market presence today and a strong future. Combined, both acquisitions will help us accomplish our goals, foster competition, and provide us with the agility we need to meet the uncertainties of the future.

We believe both small business and large business cooperation will help Networx achieve success. All prime contractors on Networx will be required to meet tough small business goals. Additionally, small business multiple award schedule holders may offer agency services that can complement, and to some degree, compete with the Networx program awardees.

To achieve our goals, we are committed to a schedule that is aggressive. We have much work to do. We are up to the task. The Networx Universal and Enterprise draft RFPs will be released on November 1, 2004. The final RFPs will be released in April 2005, with contract award in April 2006.

Mr. Chairman, we have listened carefully to your committee's guidance and to the feedback we received from our customers and industry. We have revised our strategy and have made significant and meaningful changes to our approach.

I thank you for the opportunity to testify before your committee today. And I am ready to answer any questions. Thank you very much.

Chairman TOM DAVIS. Thank you, Ms. Bates.

[The prepared statement of Ms. Bates follows:]

STATEMENT OF

SANDRA N. BATES
COMMISSIONER

FEDERAL TECHNOLOGY SERVICE

U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 15, 2004

Good morning, Chairman Davis and Members of the Committee. Thank you for the opportunity to continue our discussion concerning the Networx Program.

At the last hearing, we discussed the value we bring our customers by leveraging the Government's buying power to drive down the cost of telecommunication service. While we have developed a program which continues in this tradition, Networx will accomplish much more. We have designed Networx from the beginning to support a government-wide Enterprise Architecture. Our program is designed as a business and performance based framework which supports cross-agency collaboration, transformation, and government-wide technology improvement. Networx will save government acquisition dollars by providing a common procurement infrastructure which benefits all participating agencies. Networx will use a performance based approach which embraces commercial technical and interface standards. Networx will require that service providers offer the most current security features and services to ensure a secure government operating environment.

Networx will introduce new technology, new industry partners, and new ways to achieve a more efficient and effective government. It will allow agencies to focus their valuable resources on building a seamless, interoperable operating environment while FTS works to keep the program current with the best technology that industry has to offer. We're very proud of our many accomplishments on FTS2001, and particularly proud of our procurement success in adding new services and technologies during the life of the

contracts. We've learned how to manage our contracts to accomplish this over the years and will bring this knowledge to the Networx program.

Small business will have opportunities to participate in the Networx program. All prime contractors on Networx will be required to meet tough small business goals that will ensure significant subcontracting opportunities. FTS will monitor small business content and ensure that small business goals are met.

We believe Networx combines the right blend of knowledge gained over the years, proven acquisition processes and methodologies, and innovative thinking to deliver the acquisition your committee, our agency customers, and potential industry partners seek.

IMC Coordination and Goals

The Interagency Management Council (IMC) and the four primary IMC working groups are vital members of the Networx program team. Our program goals are:

- Service continuity. All services to all locations that are currently provided on the FTS2001 and Crossover contracts must be included in the Networx program.
- Highly competitive prices. Prices on the Networx program must continue to be better than prices available elsewhere in the telecommunications marketplace.
- High quality service. Service on the Networx contracts must be provided by high quality telecommunications providers. The contracts must include enforceable agreements that will ensure high quality service is delivered throughout the term of the contracts.
- Full service providers. Service providers who are awarded contracts on Networx be capable of providing a broad array of services.

- Alternative sources. Networx must provide access to a broad spectrum of industry service providers.
- Operations support. Improve ordering, billing, and inventory management.
- Transition assistance and support. The contracts must include provisions that facilitate transition coordination and support.
- Performance based contracts. The contracts must be performance based with Service Level Agreements to the extent possible.

Networx RFI

Last October, the Federal Technology Service (FTS) released a Request for Information (RFI) to industry to solicit comments on the Networx program. We received many constructive comments and suggestions which we have examined in depth and are addressing. In addition, two industry conferences and last February's hearing before this Committee provided direct feedback from industry and the opportunity to hear your perspectives on our strategy. We have analyzed all comments and have incorporated many of the suggested changes into our strategy.

Response to Stakeholder Feedback

While the feedback we received was broad and varied, four key questions surfaced:

- Should we relax our nationwide service requirements to encourage more competition?
- Could we meet our program goals in a single acquisition?

- Are the ordering and billing data elements described in the RFI too extensive and do they limit competition?
- What is the role of Multiple Award Schedules?

To address these questions, FTS conducted extensive analysis of the program requirements and the acquisition alternatives.

Nationwide service is the first topic and is related to the subject of "ubiquity" which was discussed during the last hearing. In the FTS2001 program, ubiquity refers to the ability of service providers to deliver service to 29,000 wire centers nationwide, including Alaska and Hawaii. This requirement guaranteed agencies that service would be available at each of their locations without contract modification. The initial strategy for Networx was based on the same premise.

FTS examined the locations to which service is currently delivered for all agencies. We concluded that the Government's minimum nationwide requirement can be met by requiring that offerors price those services and locations where service is currently delivered. We refer to this requirement as "continuity." Using this approach, we reduced the minimum nationwide wire center pricing requirement by 70% from 29,000 to 5,900. Additional wire centers can be priced at a later date through contract modifications.

The second question addresses the need for two acquisitions. We determined that the best approach was to proceed with two acquisitions but to conduct them simultaneously. The reason is that the first acquisition, Networx Universal, is designed to satisfy agency needs for service continuity and full service. The second acquisition, Networx Enterprise, focuses on the delivery of IP data or wireless services with less stringent geographic coverage.

The next question focused on Ordering and Billing. The RFI released to industry last October contained approximately 60 pages of ordering and billing data elements. Feedback from industry suggested that the number of ordering and billing elements, and the suggested formats, were excessive and would be a significant cost driver. FTS and the IMC thoroughly reviewed all requirements and developed a set of fundamental data elements. We also requested that the Industry Advisory Council's Special Interest Group on Telecommunications provide specific comments on each data element. These discussions resulted in an understanding between industry and government on the Networx requirement and the ability of industry to meet that requirement. FTS reduced the number of elements by 60%. Importantly, through these discussions, industry confirmed that there are no commercial ordering and billing standards, and that Government requires some unique elements to meet fiduciary and mission requirements. We now have a significantly less burdensome requirement without compromising our basic needs. We will continue to solicit new ideas from industry that will enhance our capabilities and efficiencies in this area.

The fourth and last area concerned the role of Multiple Award Schedules (MAS) to meet our customers' telecommunications requirements. The MAS program currently provides a growing list of hardware and telecommunications services that complement comprehensive acquisitions like Networx. Our customers will choose the mix of solutions that best meet their needs. It is important that we provide them with a choice of solutions.

Public Forum.

On August 11, 2004, we convened a public forum to share our revised approach. Over 550 attendees from 223 different companies attended the briefing. We provided the latest program information on strategy, technical and price requirements, program operations, and revised billing requirements. All presentations provided at the public forum were posted on our FTS Networx website as well as the answers to over 100 questions that were asked at the forum. Feedback from industry was very positive.

FTS Networx Strategy

Both Networx Universal and Enterprise are broadly scoped acquisitions with a comprehensive suite of services. Using the FTS2001 program as a baseline, Networx includes current services as well as those that anticipate the future needs of our customers. These new services are based on detailed market research and technical analysis, have been reviewed by our customers to ensure an adequate market exists, and have been adjusted based on industry RFI feedback. In addition, we will maintain a

robust and timely service enhancement activity to ensure that our customers have access to the newest technologies and services available within our industry.

Networx Universal will be competed among providers, or teams of providers, who can offer a comprehensive range of domestic and international services. Service providers will be required to provide service to all government locations currently served under existing programs, as well as all commercial locations served by the offeror. This acquisition is structured to provide Government agencies with uninterrupted service to all locations currently served and ensure continuity for mission essential activities.

Enterprise is constructed around a minimum service profile that will provide attractive value to our agencies without demanding that offerors meet the tougher Universal requirements for continuity and full service. Enterprise offerors must bid a core set of IP or wireless services to a specified geographic profile. Using the above entry criteria, service providers meet the program goal for alternative providers. It also fulfills the need to open Networx to relatively smaller, non-traditional IP or wireless technology providers that can offer innovative solutions to meet the government's increasingly complex needs.

Transition Planning.

Beginning with the establishment of the IMC Transition Working Group in the spring of 2003, we have made excellent progress in planning for transition. We have collected lessons learned on the problems and successes experienced during the FTS2001

transition and have made progress in developing a transition management plan. We have identified inventory data elements and have begun to identify sources of inventory data. While transition is always difficult, we have started early to plan for a smooth transition to Networx from FTS2001.

Schedule

We are committed to a very aggressive schedule. We will release the Networx Draft RFPs on November 1, 2004. Following receipt of draft RFP comments, we will review and incorporate changes and comments into the draft documents and issue the final RFP on April 1, 2005. We anticipate making awards on both contracts in April of 2006.

Summary

Mr. Chairman, we have listened carefully to your Committee's guidance and the feedback from customers and industry. We have revised our strategy in significant ways. The Networx program is well defined, has strong support from our agency customers, and offers significant opportunities for industry service providers. This program continues a proven legacy of achieving low cost telecommunication service while remaining agile to accomplish government wide technology goals. We have an aggressive schedule and are moving out to meet it.

Mr. Chairman, thank you for the opportunity to testify before your committee. I will answer any questions you may have regarding the Networx program.

Chairman TOM DAVIS. Ms. Koontz.

Ms. KOONTZ. Mr. Chairman and members of the committee, I am pleased to participate in the committee's hearing on the General Services Administration's next generation telecommunications acquisition program known as Networx.

As you know, GSA's planning for this program is taking place within an environment of tremendous change in the telecommunications industry and underlying services and technology, and potentially in the regulatory environment.

In this context, the Networx initiative can be viewed as a significant opportunity for agencies and GSA's customers to flexibly acquire and apply innovative telecommunications services offered by industry to improve their operations.

As you know, GSA issued a request for information in October 2003 describing the strategy of the proposed Networx program. At that time, GSA proposed two acquisitions. Networx Universal was to provide a full range of national and international network services. Offerors were to provide ubiquitous service across the United States.

Networx Select was to provide agencies with leading edge services and solutions with less extensive geographic and service coverage than required by Universal. Contracts under the Select acquisition were to be awarded 9 months after the Universal contracts.

Last February, we testified on GSA's initial planning efforts and identified four challenges GSA faced in ensuring a successful outcome for the program. These challenges related to the structure and timing of the proposed contracts, and the need for transition plans and inventory of current services and effective measures of performance.

In April, you requested that we assess GSA's progress in addressing challenges that we identified, as well as GSA's efforts to address longstanding issues related to billing.

My testimony today presents our results to date on these topics. In brief, GSA has taken steps to address several of the significant challenges facing the Networx program. Work is either planned or underway on other challenges, but additional efforts will be necessary to fully address these. Specifically, first, GSA has addressed concerns about the structure and scheduling of the two acquisitions now known as Universal and Enterprise. Instead of the 9-month time lag between acquisitions that might complicate agency decisionmaking, GSA now plans to issue the request for proposal for the contract simultaneously.

In addition, the Universal contracts will now require that offerors provide services where Federal agencies are currently located, rather than across the entire country, to potentially allow more industry participants to compete.

Second, GSA has solicited quotes for contractor support to assist with the development of plans to transition customers who change carriers. However, GSA has not yet developed procedures to ensure that lessons learned from past transitions are applied or established a transition timeline.

Third, GSA worked with agencies to develop a service level inventory as input into their requirements for the new contracts. In

addition, GSA plans to work with agencies to build a more detailed inventory of currently used telecommunication services for use during transition.

Fourth, GSA plans to implement performance measures that evaluate progress against the program's goals. However, some of the measures are still under development, and it does not yet have a strategy for using the measures to monitor ongoing program performance.

And last, GSA has reduced the number of billing elements that it will track, and has begun a study designed to identify potential improvements in the billing process and associated administrative costs. However, it lacks a strategy for addressing agency concerns about the usability of billing data.

To prevent unresolved challenges from hampering GSA's efforts to provide agencies with the services they need, we recommend that it finalize and implement processes for managing transition efforts, measuring program performance, and resolving agency concerns over the usability of billing data.

GSA agrees that more needs to be done in these areas, and with continued focus on these challenges, the agency can ensure that the goals of the Networx program are ultimately realized.

That concludes my statement. I would be happy to answer questions.

[The prepared statement of Ms. Koontz follows:]

United States Government Accountability Office

GAO

Testimony
Before the Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at time 10 a.m. EDT
September 15, 2004

TELECOMMUNICATIONS

GSA Has Made Progress in Planning Governmentwide Program but Challenges Remain

Statement of Linda D. Koontz,
Director, Information Management Issues

GAO-04-1085T

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Highlights

Highlights of GAO-04-1085T, a testimony before the Committee on Government Reform, House of Representatives

Why GAO Did This Study

The General Services Administration (GSA) has begun planning for a governmentwide telecommunications program known as Networx. GSA issued a request for information in October 2003 that proposed two acquisitions: Networx Universal, which was to provide a full range of national and international network services across the United States, and Networx Select, which was to provide agencies with leading-edge services with less extensive geographic coverage. Contracts under the Select acquisition were to be awarded 9 months after the Universal contracts.

In February, we testified on GSA's initial plans and identified four key challenges GSA faced in ensuring a successful outcome for the program: structure and scheduling, transition planning, service inventories, and performance measures. At the committee's request, GAO assessed GSA's progress in addressing the challenges identified as well as GSA's efforts to address long-standing issues related to billing.

WHAT WE RECOMMEND

To prevent unresolved challenges from hampering GSA's efforts to provide agencies with the services they need, we recommend that it finalize and implement processes for managing transition efforts, measuring program performance, and resolving agency concerns over the usability of billing data.

www.gao.gov/cgi-bin/getrpt?GAO-04-1085T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda D. Koontz at (202) 512-6240 or koontzl@gao.gov.

September 15, 2004

TELECOMMUNICATIONS

GSA Has Made Progress in Planning Governmentwide Program but Challenges Remain

What GAO Found

GSA has addressed several of the significant challenges facing the Networx program. Work is either planned or underway on other challenges, but additional efforts will be necessary to fully address them. Specifically:

- GSA has addressed concerns about the structure and scheduling of the two acquisitions, now known as Universal and Enterprise. Instead of a 9-month lag between acquisitions that might complicate agency decision-making, GSA now plans to issue the requests for proposal (RFP) for the contracts simultaneously (See figure below). In addition, the Universal contracts will now require that offerors provide services only where federal agencies are located, rather than in the entire country, to allow more potential industry participants to compete—a concern raised in prior comments.
- GSA has solicited for contractor support to assist with the development of plans to transition to the Networx contracts. However, GSA has not yet developed procedures to ensure that lessons from past transitions are applied, or established a transition strategy.
- GSA worked with agencies to develop a service-level inventory as input into the requirements for the new contracts. In addition, it plans to work with agencies to build a more detailed inventory of currently-used telecommunications services for use during transition.
- GSA plans to implement performance measures that evaluate progress against the program's goals. However, some of the measures are still under development, and it does not have a strategy for using the measures to monitor ongoing program performance.
- GSA has reduced the number of billing elements it will track and has begun a study designed to identify potential improvements in the billing process, but it lacks a strategy for addressing agency concerns about the usability of billing data.

Until GSA develops and applies strategies for addressing the outstanding challenges facing Networx, it risks not being able to deliver all of the operations and cost improvements outlined in the program's goals.

GSA's original and revised key contract dates

	Original Universal contract schedule	Original Select contract schedule[1]	Current schedule (both contracts)
Draft RFP release	Spring 2004	Winter 2005	November 2004
Final RFP release	Fall 2004	Summer 2005	April 2005
Contract award	Winter 2005	Fall 2006	April 2006

[1]In its RFI, GSA previously used the name Select to describe the contract now known as Enterprise.

Source: GSA

Mr. Chairman and Members of the Committee:

I am pleased to participate in the Committee's hearing on the General Services Administration's (GSA) next generation governmentwide telecommunications acquisition program, known as Networx. As you know, GSA's planning for this program is taking place within an environment of tremendous change—in the telecommunications industry, in underlying services and technology, and potentially in the regulatory environment. In this context, the Networx initiative can be viewed as a significant opportunity for federal agencies—GSA's customers—to flexibly acquire and apply innovative telecommunications services offered by industry to improve their operations.

As you know, GSA issued a request for information (RFI) in October 2003 describing the strategy of the proposed Networx program. At that time, GSA proposed two acquisitions. Networx Universal was to provide a full range of national and international network services; offerors were to provide ubiquitous service across the United States. Networx Select was to provide agencies with leading edge services and solutions with less extensive geographic and service coverage than required by Universal. Contracts under the Select acquisition were to be awarded 9 months after the Universal contracts. Last February, we testified on GSA's initial planning efforts and identified four challenges GSA faced in ensuring a successful outcome for the program. These challenges related to the structure and timing of the proposed contracts, and the need for transition plans, an inventory of current services, and effective measures of performance.[1]

In April, you requested that we assess GSA's progress in addressing the challenges that we identified, as well as GSA's efforts to address long-standing issues related to billing. My testimony today presents our results to date on these topics.

[1] GAO, *Telecommunications: GSA Faces Challenges in Planning for New Governmentwide Program*, GAO-04-486T, (Washington, D.C.: February 26, 2004).

Results in Brief

In brief, GSA has taken steps to address several of the significant challenges facing the Networx program. Work is either planned or underway on other challenges, but additional efforts will be necessary to fully address these challenges. Specifically:

- GSA has addressed concerns about the time period between contracts by planning to award all contracts simultaneously. In addition, the Universal contracts will now require that offerors provide services where federal agencies are currently located, rather than across the entire country, to potentially allow more industry participants to compete.
- GSA has solicited quotations for contractor support to assist with the development of plans to transition to the Networx contracts. However, GSA has not yet developed procedures to ensure that lessons from past transitions are applied, nor has it established a transition timeline.
- GSA worked with agencies to develop a service-level inventory as input into the requirements for the new contracts. In addition, GSA plans to work with agencies to build a more detailed inventory of currently-used telecommunications services for use during transition.
- GSA plans to implement performance measures that evaluate progress against the program's goals. However, some of the measures are still under development, and it does not have a strategy for using the measures to monitor ongoing program performance.
- GSA has reduced the number of billing elements it will track, and has begun a study designed to identify potential improvements in the billing process and associated administrative costs. However, it lacks a strategy for addressing agency concerns about the usability of billing data.

To prevent unresolved challenges from hampering GSA's efforts to provide agencies with the services they need, we recommend that it finalize and implement processes for managing transition efforts, measuring program performance, and resolving agency concerns over the usability of billing data.

My remarks today are based on audit work conducted at GSA headquarters, where we reviewed program planning documents and public presentations, interviewed program officials, and attended a public industry forum on August 11, 2004. We also reviewed analyses conducted by GSA and its contractors as well as our previous work on the Federal Telecommunications System 2001 (FTS2001) and related contracts. We conducted our work between May and September 2004 in accordance with generally accepted government auditing standards.

Background

GSA's Federal Technology Service is responsible for ensuring that federal agencies have access to the telecommunications services and solutions needed to meet mission requirements. Currently, GSA uses a series of contracts intended to meet agency needs for various services. Specifically, it awarded two large, governmentwide contracts for long-distance services—one to Sprint in December 1998 and one to MCI WorldCom in January 1999. Under the terms of these contracts, known together as FTS2001, each firm was guaranteed minimum revenues of $750 million over the life of the contracts, which run for four base years and have four 1-year extension options. If all contract options are exercised, those contracts will expire in December 2006 and January 2007, respectively. According to GSA, federal agencies spent approximately $614 million on FTS2001 services during fiscal year 2003.

Related governmentwide telecommunications services are provided through other additional GSA contracts: the Federal Wireless Telecommunications Service contract and the FTS Satellite Service contracts. The wireless contract was awarded in 1996 to provide wireless telecommunications products and services to all federal agencies, authorized federal contractors, and other users. It is scheduled to expire in November of this year. Satellite services are provided through a series of contracts for a variety of commercial off-the-shelf satellite communications products and services,

including mobile, fixed, and broadcast services. These contracts will expire in 2007.

We have periodically reviewed the development and implementation of the FTS2001 program and assessed its progress. In March 2001 we reported to you on the delays encountered during the government's efforts to transition from the previous FTS2000 to the FTS2001 contracts, the reasons for those delays, and the effects of the delays on meeting FTS2001 program goals of maximizing competition for services and ensuring best service and price.[2] We recommended that GSA take numerous actions to facilitate those transition efforts. In April 2001 testimony before you, we reiterated those recommendations and noted that the process of planning and managing future telecommunications service acquisition would benefit from an accurate and robust inventory of existing telecommunications services.[3] Ultimately, GSA acted on our recommendations and the transitions were successfully completed.

GSA is now planning its Networx acquisition to replace the contracts that are expiring. GSA has worked with representatives of federal agencies, the telecommunications industry, and other interested parties to lay the groundwork for the new program. Agencies work directly with GSA and through the Interagency Management Council (IMC), a group of senior federal information resource officials who advise GSA on issues related to telecommunications contracts. GSA and the IMC proposed eight goals for the Networx program, including an emphasis on ongoing support and performance-based contracts. The table lists each of the program goals.

[2]GAO, *FTS2001: Transition Challenges Jeopardize Program Goals*, GAO-01-289 (Washington, D.C.: March 30, 2001).

[3]GAO, *FTS2001: Contract Transition Delays and Their Impact on Program Goals*, GAO-01-544T (Washington, D.C.: April 26, 2001).

Program Goals Proposed for Networx
Service Continuity: Contracts should include all services currently available under FTS2001 to facilitate a smooth transition.
Competitive prices: Prices should be better than those available elsewhere in the telecommunications marketplace.
High quality services: Contracts should ensure a high quality of service throughout the life of the contracts.
Full service vendors: Vendors should be capable of providing a broad array of services to avoid duplication of administrative and contracting costs.
Alternate sources: Agencies should be able to choose from a greater number of vendors and have access to emerging technologies.
Operations Support: GSA should provide fully integrated ordering, billing, and inventory management.
Transition assistance and support: Contracts should include provisions for transition support.
Performance-based contracts: Contracts should be performance based and include service level agreements where possible.

Source: GSA.

In October 2003, GSA released a RFI describing its initial strategy for the Networx program. In the RFI, GSA proposed two acquisitions—Networx Universal and Networx Select. The Universal acquisition was expected to satisfy requirements for a full range of national and international network services. According to GSA, this acquisition was intended to ensure the continuity of services and prices found under expiring contracts that provide broad-ranging service with global geographic coverage. Universal offerors were to provide a full range of voice and data network services, managed networking services and solutions, and network access, wireless, and satellite communications services. In addition, offerors were to provide these services at all locations across the United States. Consequently, this acquisition was expected to result in multiple contract awards to relatively few offerors because few were expected to be able to satisfy the geographic coverage and comprehensive service requirements.

By contrast, GSA planned to award multiple contracts for a more geographically limited set of services under the Select acquisition. These contracts were to provide agencies with leading edge services and solutions with less extensive geographic and service coverage than that required by Universal. Awards under the Universal and

Select acquisitions were to be staggered; the Select contracts were to be awarded 9 months after the Universal contracts.

In February 2004, we testified on GSA's initial planning efforts in support of FTS Networx.[4] After reviewing the RFI and the comments submitted in response, we identified four major challenges that GSA was likely to face as it proceeded:

- structuring and scheduling the Networx contracts to ensure that federal agencies have available to them the competitively priced telecommunications services they need to support their mission objectives;
- initiating the implementation planning actions needed to ensure a smooth transition from current contracts to Networx;
- ensuring that adequate inventory information is available to planners to provide an informed understanding of governmentwide requirements; and
- establishing measures of success to aid acquisition decision making and enable effective program management.

We noted that addressing these challenges would take solid leadership from GSA and stakeholder commitment. Without such actions, we concluded, the potential of Networx may not be realized.

We have also previously reported on billing difficulties in GSA's telecommunications programs. For example, during the transition to FTS2001, we found that several agencies were billed at improper rates. Several agencies delayed their transition to the new contract because resources planned for the transition were redirected to deal with the billing errors.[5] We recommended numerous actions to improve the transition process, which GSA successfully implemented.

[4] GAO-04-486T.

[5] GAO, *FTS2001: Transition Challenges Jeopardize Program Goals*, GAO-01-289, (Washington, D.C.: March 30, 2001).

Structure and Timing of Contracts Have Been Revised in Response to Comments

As we testified in February, the responses to the RFI identified a series of concerns about GSA's proposed acquisition strategy. Some respondents commented that only the traditional long-distance companies would be able to meet the requirements of the larger contract. Others were concerned that the 9-month lag between contracts would complicate decision making by asking agencies to decide on a vendor for the more comprehensive contract before being able to review the options available under the more limited contracts.

GSA recently revised its contracting strategy in response to these concerns. GSA still intends to meet the proposed program goals through two sets of contracts. The first, known as Networx Universal, requires offerors to provide 39 services everywhere a federal office is locate, as well as anywhere else the company offers those services commercially. Required services include toll-free telecommunications, Internet services, and cellular services. Ten other services, including satellite communications and paging services, can be offered but are not required. The second, now known as Networx Enterprise, requires offerors to provide nine mandatory services in nearly 300 locations nationwide specified by GSA; another 42 services can be offered at the option of the company. The services required under the Enterprise contracts focus on Internet-based offerings and related security and management services. GSA intends to structure the contracts so that the Universal offering meets the program goals of service continuity and full service vendors, while the Enterprise contracts meet the goal of providing alternative sources. Both sets of contracts are intended to meet the other five goals, and each is planned to run for 4 years with three 2-year options.

The main difference between its current strategy and the plan outlined in the RFI is that the geographic coverage requirements for the Universal contracts are less stringent. Instead of having to offer services in the entire country, service providers need only offer service where federal offices are located (as well as where the

provider offers the service commercially) to qualify to compete for the contracts. This change resulted in a 76 percent reduction in the locations carriers must serve to be eligible to compete for the contracts. In turn, this increased the percentage of the anticipated service area that carriers could reach with their own networks. According to program officials, they discussed the changes with industry representatives, who are satisfied with the changes. In addition, industry representatives did not raise any questions about the new structure at the August industry forum.

GSA has also addressed the concern over the time between contracts, by changing the proposed 9-month lag between the two types of contracts. GSA currently plans to issue the requests for proposal (RFP) for both the Universal and the Enterprise contracts simultaneously. This table lists the key dates from the old and new contract schedules.

GSA's original and revised key contract dates

	Original Universal contract schedule	Original Select contract schedule[1]	Current schedule (both contracts)
Draft RFP release	Spring 2004	Winter 2005	November 2004
Final RFP release	Fall 2004	Summer 2005	April 2005
Contract award	Winter 2005	Fall 2006	April 2006

[1]In its RFI, GSA previously used the name Select to describe the contract now known as Enterprise.

Source: GSA

Transition Planning is Just Beginning

As we reported to you in March 2001, the current FTS2001 contracts got off to a rocky start as significant delays in transitioning to the new contracts hindered timely achievement of program goals.[6] Factors contributing to delays in that transition included a lack of data needed to accurately measure and effectively manage the transitions, inadequate resources, and other process and procedural issues. In testimony before you in April 2001 we stated that the value

[6] GAO-01-289.

of that critical program to customer agencies would be improved through the application of identified lessons learned. Those in industry who commented on the Networx RFI also noted the need for strong and comprehensive program management to ensure a successful transition, including issues such as the availability of accurate inventories and well-defined contractor and government responsibilities.

The IMC has established various subgroups to assist it in carrying out its responsibilities. One of these subgroups—the Transition Working Group—looked at transition issues from past transitions, and in April 2003 identified 22 lessons learned. Some of the lessons identified include the need for accurate inventory information and the need to be flexible in transition planning. The group also drafted a document intended to clearly define the responsibilities of GSA and the agencies for transition-related costs, with the goal of eliminating some of the confusion experienced in the past transition.

However, GSA has not yet developed procedures to ensure that lessons from past transitions are applied, nor has it established a timeline of actions needed during the transition process. GSA released a request for quotations on August 16 to solicit contract help with developing a transition plan, including procedures intended to prevent the types of errors that happened in the previous transition. GSA expects to award a contract to the selected contractor by October. According to program officials, GSA will be able to make more progress on this issue when the contractor begins. They also agree that a transition timeline is an important management tool, and that they will begin developing such a timeline soon. GSA believes that with almost 2 years until agencies are scheduled to choose carriers under the new contracts, there is still time to plan for an effective transition. However, until GSA completes these planned actions, it risks repeating the transition problems experienced in the past. To prevent such an occurrence, and to ensure that transition plans are developed with adequate time to be implemented, we are recommending that GSA develop a transition timeline and procedures to prevent the reoccurrence of identified difficulties from previous transitions.

GSA Has Developed an Inventory of Current Services, and Has Begun Planning for a More Detailed Inventory

We testified in February that it is important that GSA and its customer agencies have a clear understanding of agency service requirements in order to make properly informed acquisition planning decisions. According to our ongoing research on best practices in telecommunications acquisition and management, clear understanding comes at least in part from having an accurate baseline inventory of existing services and assets. More specifically, an inventory allows planners to make informed judgments based on an accurate analysis of current requirements and capabilities, emerging needs that must be considered, and the current cost of services. In addition, the FTS2001 transition lessons learned document identified the lack of a good starting inventory as the cause of problems in a number of areas and a contributor to the slow start on the FTS2001 transition. Specifically, the IMC's Transition Working Group identified accurate inventories as a requirement for conducting an efficient transition.

GSA is addressing the need for inventory information in two ways. First, GSA developed an inventory of the services currently used by its customers by reviewing the existing contracts, modifications to them, and billing information. Agencies then verified this information to ensure the listed services meet their current and anticipated future needs. According to GSA officials, this inventory was used in acquisition planning, for example, to justify its decision on which services to include in the proposed Networx contracts and which to make mandatory. Second, GSA is planning to work with its customer agencies to develop more detailed inventories for transition purposes. For example, the transition inventory would not only identify which services are used, but it would also identify where those services are used and how much. According to program officials, GSA plans to provide agencies with initial information based on billing and ordering data in November. Agencies will then verify the GSA data using their own data sources. Because service changes are expected to continue to occur, GSA expects this process to continue until January 2006. Program officials also told

us that once it is in place, the inventory process could be used as an ongoing management tool.

GSA Is Developing Performance Measures, but not a Strategy for Applying Them

Our research into recommended program and project measurement practices highlights the importance of establishing clear measures of success to aid acquisition decision making as well as to provide the foundation for accountable program management. As we testified earlier in the year, such internal measures define what must be done for a project to be acceptable to the stakeholders and users affected by it; these internal measures enable measurement of progress and effectiveness in meeting objectives. Further, in keeping with the principles of the Government Performance and Results Act (GPRA), programs can be more effectively measured if their goals and objectives are outcome-oriented (i.e., focused on results or impact) rather than output-oriented (i.e., focused on activities and processes).

According to agency officials, GSA plans to measure its performance against each of the program's goals. For some of these goals, GSA has already determined how it will measure progress. For example, GSA will measure progress towards the goal of competitive prices using the same process it currently uses—a direct comparison of contract rates to market rates. For other goals, GSA officials stated that performance will be evident from the contract selections. For example, the outcome of the goal of using full-service providers will be known when the providers are selected. However, for some goals, GSA has not yet determined how it will measure progress. For the goals of high quality service and operations support, GSA officials stated that specific metrics are

still in development as part of their efforts to develop service level agreements for vendors.[7]

While the approach described by program officials seems reasonable, GSA has not determined when it will finalize the measures still under development. In addition, GSA has not developed a strategy outlining how it will use key measures to monitor ongoing program performance. Until GSA develops a firm strategy, it lacks assurance that the required program measures will be in place at the appropriate time. As a result, its measures may have limited effect as a program management tool. We therefore recommend that GSA finalize its efforts to identify measures to evaluate progress towards program goals and develop a strategy for using those measures for ongoing program management.

Number of Billing Elements Has Been Reduced, but Other Billing Issues Are Unresolved

Clear, accurate, and complete billing records are an important internal control: they record the detail of each telecommunications transaction for later verification and management oversight. However, bills and billing systems have been a problem in the current generation of FTS programs and thus continue to be a concern for their proposed replacement. In addition to the previous experiences discussed earlier, both the telecommunications carriers and GSA's customer agencies have more recently raised concerns about billing. Carriers asked GSA to address inconsistent and sometimes conflicting billing requirements in different regions. Some also questioned whether the number of billing elements—the data fields tracked in the billing system—was excessive. Agencies commented that the way in which they currently receive billing information hampers their efforts to reconcile invoices and produces inaccurate and incomplete bills. A few agencies

[7] These are agreements between suppliers and customers to provide business services under specific terms.

commented that billing difficulties have cost them hundreds of thousands of dollars.

In response to industry's concern about the number of billing elements, GSA reduced the number of elements required under the Networx contracts. In its RFI, GSA proposed the use of 513 billing elements. Working in collaboration with the IMC and the Industry Advisory Council, GSA reduced the number of billing data elements to 196 (a reduction of 62 percent), with 54 elements being government specific. In response to the concerns about the accuracy of billing information, GSA plans to introduce service level agreements with the carriers to hold the carriers accountable for the accuracy of the billing data they provide.

GSA has also begun examining potential alternatives to the way it currently consolidates carrier billing data and provides it to some agencies. The study is considering several options, including the option of contracting out bill consolidation, and the potential costs and benefits of the options. According to program officials, one of the goals of the study is to identify potential savings in administrative costs.

However, GSA has not undertaken any similar efforts to identify the causes of agency difficulties in billing and address them. GSA officials attributed part of the uncertainty over future billing procedures to a lack of consensus among industry on how to improve the process. Regardless of the plans of industry, if GSA does not develop a billing process that better meets the needs of its customers, the agencies are likely to continue to experience difficulties in managing their telecommunications costs. To better address this challenge, we are recommending that GSA develop and implement a strategy for addressing the billing data issues raised by its customer agencies.

Summary

Mr. Chairman, the Networx program represents a significant opportunity for GSA and the federal government to both expand the menu of telecommunications services available to

agencies and continue to provide quality and value in the services that agencies select. The size and scope of the planned contracts present a formidable management challenge, and GSA is to be commended for working with its customers and industry to collaboratively address concerns about the structure and timing of the contracts and the need for a current service inventory for use in identifying contract requirements. GSA has begun efforts to address other challenges, such as the need for transition plans, the use of performance measures, and an effective billing system, but it lacks strategies for ensuring that each of these issues is adequately addressed. As the planned release of RFPs approaches, GSA will have less time to finalize those decisions still outstanding and implement the resulting actions. To demonstrate the appropriate level of planning and commitment necessary to ensure that agencies have access to necessary telecommunications services, we are recommending that GSA take additional steps to resolve these issues in a timely manner.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other members of the Committee may have at this time.

Contacts and Acknowledgements

Should you have any questions about this testimony, please contact me by e-mail at koontzl@gao.gov or James Sweetman at sweetmanj@gao.gov. We can also be reached at (202) 512-6240 and (202) 512-3347, respectively. Other major contributors to this testimony were Jamey Collins, Samuel Garman, and Nancy Glover.

Chairman TOM DAVIS. Thank you very much. Let me start, Ms. Bates, with you. The Networx strategy envision a centrally managed Government-wide telecommunications program run through GSA.

But, as I understand it, some government agencies, such as Treasury, who I mentioned in my opening remarks has announced plans to conduct their own large telecom acquisitions on their own. What is your strategy for attracting these agencies to participate in Networx?

What do you offer that they can't provide for themselves?

Ms. BATES. As an example, we have worked, currently are working with, two agencies, Department of Justice, and Department of Agriculture, in their strategy to utilize the existing FTS 2001 contracts to begin moving their Networx infrastructure to the next level, so that when Networx is awarded, they can continue that journey, or will be in a position to transition, whichever is necessary.

And that seems to be working for those two agencies very well, both from a price perspective and technical innovation, and was done in a competitive task order environment.

Our strategy overall is to keep the current contracts as competitive, technologically and price wise, with the best industry has to offer. When we have the Networx group of contractors and new services, people then can continue upgrading their networks or moving to their enterprise architecture.

We are also planning for transition so that transition will not be the huge effort and disruption that it has been in the past. We think we have provided a clear pathway for agencies to move into the future.

Chairman TOM DAVIS. But, if different agencies start picking their own, and setting up their own networks and so on, that will defeat the whole thing, won't it?

Ms. BATES. Yes, it will. It makes each agency doing duplicative effort because they are conducting their own procurements, they are not leveraging the government's buying power.

Chairman TOM DAVIS. You lose economies of scale, obviously.

Ms. BATES. Absolutely. And they are placing a burden on the industry as well, who has to spend a lot of money to respond to these requests. Of course, that, in the end, gets passed on to the taxpayer.

Chairman TOM DAVIS. OK. So more expensive. Probably not——

Ms. BATES. Right. And we have no standardization, we have such a mixed bag of offerings, we don't know what the security requirements are in each of these contracts. We don't know what the interoperability is. There is just a whole host of problems by doing this in a fragmented way.

Chairman TOM DAVIS. When GSA revised the timetable for the Networx contract, it pushed back the award date for the comprehensive Universal contract from the winter of 2005 to April 2006.

If contracts are awarded as planned, how will GSA be able to ensure a complete transition to new service providers before the FTS 2001 contracts expire in December 2006 and January 2007?

When will the transition timeline be established to help manage the process?

Ms. BATES. The planned—as you stated, the planned award in April 2006 is predicated on the fact that we will have done, with our customer agencies, a significant amount of transition planning prior to that.

In fact, that has already begun. The IMC has working groups established to begin with inventories, requirements development, and timelines within their agencies to begin transitioning right away.

Also, not all of the FTS 2001 contracts expire with the Sprint and MCI. We have crossover contracts with—such as Qwest, AT&T and Verizon that expire at different times later in the time period. So transition will have to be carefully orchestrated, and we are confident that we can do that.

Chairman TOM DAVIS. Ms. Koontz, you have been reviewing the program for the last year or so. Based on that experience, how you would you rate GSA's overall performance so far in developing the Networx strategy?

Ms. KOONTZ. I think that based on the challenges that we identified in February, I think that GSA has made good progress toward addressing those challenges, which we thought were all critical to ensuring the programs success.

Our major concern at this point is that GSA needs to remain focused on these issues to ensure that all of the things that they promised to do will be done in an appropriate time.

Chairman TOM DAVIS. Do you think that GSA currently has adequate resources to manage the Networx program in the anticipated transition?

Ms. KOONTZ. I do not know. We have not evaluated their resources. That is an excellent question.

Chairman TOM DAVIS. Will their proposed performance measures help ensure that the program fulfills its ultimate goal in providing agencies with the services they need at competitive prices?

Ms. KOONTZ. Performance measures are absolutely critical to make sure that GSA, over the life of something as long as what could be a 10-year contract, can know, you know, with the force of data, that they are indeed meeting the goals of the program.

So it is absolutely critical that they have performance measures, good performance measures, for all of the program goals. I would also suggest that GSA would probably benefit from actually reexamining and maybe refining some of the goals to make sure that they really represent a picture of and planned program performance and that they are results oriented.

Chairman TOM DAVIS. You said in your statement that GSA needs to finalize and implement processes for managing its transition efforts.

Compared to the last transition, is GSA better prepared for the transition to Networx?

Ms. KOONTZ. I would have to say that GSA is better prepared, to the extent that based on the report that we did for you in the transition last time, and a rather exhaustive study that they have done on their own of transition lessons learned, I think they have a wealth of knowledge of the problems and barriers that they have to address.

What is left to do, though, is to translate those lessons learned into actual processes and procedures that will mitigate the same problems recurring.

Chairman TOM DAVIS. OK. Ms. Watson, any questions? I will have more.

Ms. WATSON. Sure. I would like to possibly have you give some specifics on the extent to which GSA and its customer agencies have developed accurate and complete inventories for the current services and requirements.

Ms. BATES. I will first address what—the customer agencies. We have something called the Interagency Management Council, which consists of the senior telecommunications network officials from the 16 large agencies and the small agencies council.

Each one of those agencies, plus others, in response to the chairman's letter last December, have begun working on an inventory. Many of them have a very good inventory based on the last transition, the inventory they developed for Y2K, an increased ongoing emphasis on inventory.

What they continue to work on is the inventory needed for transition. It has a requirement for significantly more detail than an inventory just to have. And I will cite an example. In order for a service to transition from one service provider to another, you have to have specifics such as room number, local government contact, floor, that kind of thing where you wouldn't need it if you just wanted a regular inventory.

The agencies are well aware of this, and they are working hard. It is my estimation that we are further along at this point in working on that inventory than we were for the last transition. GSA, FTS, is working with the current service providers, to make sure that their inventories are up to speed, as well as the inventories we maintain from an overall perspective.

I do believe we need to continue to be focused on inventories since it is an everchanging data base.

Ms. WATSON. Can you just describe what our objectives and goals are? Where would we like to go with our inventory?

Ms. BATES. Ideally what we would like to have is for each agency and component to have a very accurate inventory of all of the telecommunications services they have, exactly where it is located, as well as the program applications and systems that are running over that network. This becomes critical when you begin planning a change, you need to identify the programs that are using that facility so that you have no program interruption.

So it is a big job. I think the government agencies are up to it. But, it is something that you should never declare finished. It is ongoing.

Ms. WATSON. My concerns go to how do we coordinate communications across the board in times of emergencies or tremendous threats? And I know as you transition, and all of the agencies that you support, that I hope is kept in mind. And I am just trying to find out, are we on the path to being sure that the telecommunications and other systems are up to par, working?

I heard mention of what are the best practices, best equipment and are we getting there?

Ms. BATES. I think you have made a very good point. And by GSA FTS having a centrally managed program, we are in a much better position to work with the service providers to make sure that in times of emergency or disaster, we can help coordinate the recovery efforts, we have central inventories, and we know where we are going.

If we do not have a centralized focus in times of natural disaster or other emergencies, it is very difficult for the government to coordinate the next steps. So I think we are on the path. We are working very closely with the Department of Homeland Security. They will be using the Networx network. And I think we are on the right path.

Ms. WATSON. That is a very effective nexus to my next inquiry. I was visited yesterday by representatives of the fire department in New York and some family members. And they are very concerned about their communication—those radios and the bands that they were using.

And apparently the equipment failed on September 11. And when the Commission was holding the hearings, they felt that they were not able to really get into the substance of why so many firefighters were killed on that day, and why so many of them didn't get the order to evacuate. And they talked about a piece of equipment that came from Motorola.

And so I don't know how you get into the local first responders and what they do and municipalities. I don't know how we make that connection. But, on a National Federal level, we ought to be looking at the equipment and how companies get those contracts, and testing that equipment, does it work properly at the time when it is needed? And I am trying to get there.

And I don't know if it is GSA that could look into it. But, certainly as we deal say with the Capitol under tremendous risk on 9/11, you know, did we have a communications network, are we getting the equipment in the agencies? Are we using the best that we can get? Are we looking at competition so we can be sure we are getting the best product at the best cost?

And I am interested in what you are doing along these lines.

Ms. BATES. That particular requirement for the first responder and interoperability of radio systems at the local level is not covered—is not one of the main focuses of the Networx acquisition. However, I can tell you that the Department of Homeland Security, the Federal Emergency Management Agency and other components, we are working with them, and the focus on the first responder and the interoperability of State, local, municipality and Federal systems is one of great concern to everyone. And it is a very complex problem.

Ms. WATSON. Well, that is what I am trying to emphasize here in terms of homeland security and national security, and they affect the local areas. And there should be a network across this country that is connected, and we can have assurances that right down to the local level, the first responders are part of that network, that Federal network, and so this is something you probably can't get into any detail now, because we are all trying to find our way as to what is the best to do.

I was forced to raise that issue because I just had this conversation. We are very, very concerned about what happened on September 11 and what lessons were learned.

Ms. BATES. Well, I support you. And I can assure you that the scope of the Networx contracts will be such that should we receive the appropriate approvals to provide service to State and local Governments, we will be in a position to do that and to further that.

Ms. WATSON. Right. You talk about possibly 10-year contracts. And I would hate to think that GSA and the agencies you serve would get into contracts of long extensions that—and their equipment doesn't really stand up. So we can go into this discussion in private. But I just wanted to raise these concerns that I have.

And thank you very much, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much. Ms. Bates, let me just ask you, how did GSA decide which services to make mandatory in the Universal contract?

Ms. BATES. We looked at the services that were being provided today under FTS 2001. We looked at the services that were going to be needed over the future of the next 10 years of the contract, and decided that those were the ones to be made mandatory. We did not do this in a vacuum. We worked with our customer agencies as well as the industry to make sure that our mandatory requirements were all inclusive, but, not so lengthy that they limited competition.

Chairman TOM DAVIS. The revised strategy mentions an increased role for the Federal Supply Schedules.

Ms. BATES. Yes.

Chairman TOM DAVIS. Could you elaborate on how this works?

Ms. BATES. Today there are many companies that are on the Federal supply schedule that provide extensive amounts of telecommunications equipment. There are some telecommunications services on the schedules today. And certainly there are integration services available on the schedules and GWACs today.

As companies choose to widen of their schedule presence, they do that as they see fit. And we see that growing more and more. So I see the schedules as a complement to Networx and I think it is a good thing. It allows companies that are new companies to the marketplace to bring their services to the government through the schedules. And we are working closely with FSS in doing this. So I think that we have a very compatible program.

Chairman TOM DAVIS. So innovation, new technologies, new things that happen maybe outside of the parameters of the original awardees are able to enter into the marketplace in this way?

Ms. BATES. Sure. And the companies, as you know with the schedules, the companies can select the time that they wish and the services that they wish to offer, and the terms and conditions as a part of the schedule, as opposed to doing it at the Government's timeframe. So that does allow a company when it is ready to seek a schedule contract.

Chairman TOM DAVIS. It is hard to foresee these things. But how likely is it that the option years in the Networx contracts would be exercised when you consider that the changes that are taking place in the telecommunications industry, how is it advantageous to enter into contracts that can last for as long as 10 years?

Ms. BATES. Well, it is hard, particularly at this time and with this industry, to predict too far into the future. But we feel that our strategy really supports the government in a position for a longer period of contract.

With the two acquisitions, we will have multiple awards, within Universal and Enterprise. Universal will have, I think, a very good cadre of full service contractors. And the Enterprise will address those same contractors should they decide to bid, as well as some emerging companies.

So hopefully, we will have a stable of contractors that will see us through. However, if it doesn't make any sense to exercise options, we won't.

Chairman TOM DAVIS. Well, how many awardees do you envision for the Universal segment?

Ms. BATES. The contracts will be multiple award. The number of awards will be determined by the quality of the proposals that are submitted.

Chairman TOM DAVIS. OK. How will new technologies be added to the contracts? Will GSA add all new technologies whether they are mandatory or nonmandatory to both contracts?

Ms. BATES. We will buildupon some of the things we have done in the past. First, both of the contracts will be scoped so that technology upgrade and technology refreshment will be included in the scope.

In addition, industry will be able to propose a contract modification to add new technology to whichever contract they hold. Then should our customers have new requirements, the customer can ask that new technology be added to the contracts. So we have it covered three ways. Through scope, through industry initiating modifications, or through customer-initiated modifications. Of course we can do it any time we want.

Chairman TOM DAVIS. Do you envision a process whereby an Enterprise vendor could become a Universal provider as their capabilities expand over the period?

Ms. BATES. As it is currently structured, we do not envision that.

The Enterprise requires, I think—with being IP based or wireless, is really the wave of the future. And I think that if somebody is in the enterprise category, it will serve their company well.

I really don't see an advantage to having a crossover after the initial competition. That said, if the initial competition, a company can bid both Universal and Enterprise, and can be selected for both if it is appropriate.

Chairman TOM DAVIS. Ms. Koontz, let me ask you. Go back to the first question I asked Ms. Bates.

Agencies such as Treasury, which I mentioned in my opening remarks, they plan to conduct their own large telecom acquisitions instead of participating in the GSA program. Do you think such acquisitions have the potential to undermine Networx?

Ms. KOONTZ. I think they do have the potential if this is done too far. I guess that our position on anything that is outside of Networx or FTS 2001, those contracts are not mandatory.

However, every investment, including telecommunications investments, have to be justified. And they have to be justified in light of looking at other alternatives. And only in that case where it was

justified in other alternatives should those other contracts be awarded.

Chairman TOM DAVIS. Over the years, prices have fallen under FTS 2000 and FTS 2001. Do you think we have reached the bottom, or do you expect prices to fall over the length of Networx programs, or is it just hard to say?

Ms. KOONTZ. I think it is hard to say.

Chairman TOM DAVIS. Do you think that GSA has been addressing need for inventories. Do you think their actions have been adequate in that area?

Ms. KOONTZ. I think that GSA has made some very good first steps toward establishing the inventories that we think are really critical, particularly for transition. They did create inventories that they used for the requirements planning process.

And now they plan to go forward and develop the more detailed kind of inventories that will support transition. So, again, I think they are making progress. This is something they need to stay focussed on throughout.

Chairman TOM DAVIS. Finally, in your statement, you recommend that GSA finalize and implement processes for managing transition efforts, measuring program performance, resolving agency concerns over the usability of billing data.

Do you think GSA can comply with these recommendations and still meet the projected timetable for Networx?

Ms. KOONTZ. I believe they can. I believe it is going to be very challenging. But I think there is sufficient time for them to resolve these issues and have them completed at the appropriate time.

Chairman TOM DAVIS. Thank you. That is all of the questions that I have for this panel. Ms. Watson, do you have any additional questions?

Anything else anybody wants to add? Well, thank you very much for being with us. We will take a 2-minute recess as we move to our next panel. Thank you.

[Recess.]

Chairman TOM DAVIS. All right. Our second panel here. Thank you very much, gentlemen. We have Don Scott, senior vice president of EDS U.S. Government Solutions; Jerry Hogge the senior vice president Level 3 Communications; Mr. Robert Collet, vice president, engineering, AT&T Government Solutions; Shelley Murphy, president, Federal markets for Verizon; and Jerry Edgerton the senior vice president, government markets, MCI.

It's policy that we swear you before you testify. If you'd rise with me and raise your right hands.

[Witnesses sworn.]

Chairman TOM DAVIS. Mr. Scott, we will start with you and we will move straight on down the line. We are debating a bill on the floor. That's why we have had some animated discussions here that affects this committee in a number of areas. I am not going to be able to get over. I think if I can—on a couple of amendments. But we want to move as quickly as we can.

Your entire statements are in the record.

Mr. Scott, we will start with you and we will move straight down and then move to questions. Thank you.

STATEMENTS OF DONALD SCOTT, SENIOR VICE PRESIDENT, EDS U.S. GOVERNMENT SOLUTIONS; JERRY HOGGE, SENIOR VICE PRESIDENT, LEVEL 3 COMMUNICATIONS LLC; ROBERT COLLET, VICE PRESIDENT, ENGINEERING, AT&T GOVERNMENT SOLUTIONS; SHELLEY MURPHY, PRESIDENT, FEDERAL MARKETS, VERIZON; AND JERRY A. EDGERTON, SENIOR VICE PRESIDENT, GOVERNMENT MARKETS, MCI

Mr. SCOTT. Thank you. Mr Chairman and members of the committee, I'm Don Scott.

Chairman TOM DAVIS. If you'd turn on your mic.

Mr. SCOTT. I'm vice president of U.S. Government Solutions, EDS Corp. Thank you for inviting me today to testify on behalf of EDS regarding the GSA strategy for the Networx program. We believe our comments will help GSA's Networx be most effective in today's telecommunications environment. I'm presenting an abbreviated version. The rest is for the record. We have included a recommendation to expand the scope of the Networx program to include applications and other user services. This is outlined in a white paper EDS provided recently to GSA and is an included as a part of the testimony.

Also in the record are examples of this integrated strategy's successful implementation. Please note that also in our testimony submittal we have referred to some recently published papers on network convergence.

And, finally, we have offered some suggestions for transitions to those expanded services.

We do not propose that GSA eliminate any of the services proposed under Networx; rather, it is our belief that Networx should offer an even broader, richer set of services and solutions. My comments that follow concentrate on the services that should be offered and explain why.

GSA's governmentwide responsibility offers a unique opportunity to support the agenda of the Congress and of the administration. GSA is in a position to leverage the buying power of the entire Federal Government and has a charter to lead the technology initiatives. Networx should be aligned with the Office of Management and Budget's efforts to move to common governmentwide architectures.

Mr. Chairman, we commend you and your committee for your high level of interest in this program and we commend GSA and the leadership that Administrator Perry, Commissioner Bates, and Assistant Commissioner Johnson have shown. In particular, GSA's continuous outreach to stakeholders will help ensure that services are acquired at the best value to the taxpayer and that vigorous competition occurs.

Considerable investment will be required by both government and industry, so we support the long-term contracts for projects having such large size and scope. However, because the Networx contract may be effective for the period 2007 through 2017, GSA should give serious consideration to the services expected to be commonly available during that period and the companies' ability to provide those services. GSA should not leave it to the customer agencies to individually acquire services that are available in the marketplace and are appropriate for consolidated governmentwide

buying consistent with the government's common enterprise architecture goals.

The telecommunications industry will be much different by 2007 and beyond. There is compelling evidence that the IT and telecommunication industries are converging and that traditional telecommunications will likely be acquired using commodity schedules or through integration into total IT service packages and solutions. In the complete text of this testimony, there are references to a number of industrial, governmental, and academic and medical organizations who have implemented or are in the process of implementing converged solutions. Most will be fully implemented by 2007. Also included are references to two convergent studies that were completed this year. These studies, published in "The Economist," each surveyed approximately 100 senior executives on the subject of convergence. The first study found that two thirds of the organizations surveyed would shift their applications to unified networks within the next 5 years, and that one quarter sees this integration as crucial to fulfilling their business strategy. The second study and report conclude that 75 percent of companies will achieve widespread migration to converged networks within 3 years.

The integrated services we are proposing include such items as information storage; security; messaging; collaboration tools; various business applications; situation awareness capabilities; knowledge management tools; hosting capabilities; and other services. Associated enabling devices such as desktop computers, laptop computers, and telephones should be included. BlackBerries, pagers, and other remote devices, together with seamless network connectivity, should be included so that a complete secure capability is provided wherever the user happens to be. The industry is transitioning toward integrated networks that will provide all media over a data network using IP. We expect maturity by 2007, which will render the risk far less than if government agencies acquire services independently. Along with these technology developments, we believe that traditional telecommunications organizations in the user community will be fully integrated into the IT organizations.

The transformation of the communication marketplace defines the following progressions of events.

Transport will become a commodity, and minimal strategic value will be placed on the transport providers. Transport will be converged into IP-based services and applications.

IP solutions will become the strategic product, which will be built on the transport infrastructure through the desktop, personal data systems, and other devices. In essence, the current logical demarcations will be moved further into the infrastructure.

Government agencies will be enabled to move toward true performance-based relationships in which the success of the mission is directly related to the underlying technology that provides the solution.

End-to-end services fit this new mold best. This approach deals with the infrastructure as it directly interfaces with the user and also facilitates consistent thought leadership across the infrastructure. These success factors are critical in IP-driven trans-

formations. By anticipating these market shifts, the Federal Government can provide for the breadth and flexibility that will be required to integrate secure, effective offerings over the life of the contract.

Therefore, while the transport components will continue to be a foundation for the application services being carried, we predict that these will be dwarfed in importance by the applications. We believe that with these enhancements, the Networx program can provide effective best-value solutions, deliver cost savings to the taxpayer, enhance security and increase user productivity, and contribute to the organizational transformation. The Networx program should be an integral part of the government's enterprise architecture. In attracting customer agencies to participate, GSA should offer a wide array of integrated services, thereby discouraging agencies from acquiring them individually.

Mr. Chairman, thank you for the opportunity to comment, and I will be pleased to answer any questions.

Chairman TOM DAVIS. Thank you very much.

[The prepared statement of Mr. Scott follows:]

TESTIMONY BEFORE

THE U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

SEPTEMBER 15, 2004

Presented by

DONALD E. SCOTT, SENIOR VICE PRESIDENT,
EDS U.S. GOVERNMENT SOLUTIONS

Mr. Chairman and Members of the Committee,

I am Don Scott, Senior Vice President of U.S. Government Solutions, EDS Corporation. Thank you for inviting me here today to testify, on behalf of EDS, regarding the General Services Administration's (GSA's) strategy for the Networx program. We believe that our comments will help GSA's Networx be most effective in today's telecommunications environment. I am presenting an abbreviated version of the testimony we have submitted in four parts for the record. Our submittal includes the following:

- A recommendation to expand the scope of the Networx program to include applications and other user services. This is outlined in a white paper EDS provided recently to GSA and is included as a part of our testimony.

- Examples of this integrated strategy's successful implementation. Please note that in our testimony submittal we have referred to some recently published papers on network convergence.
- Some suggestions for transitioning to these expanded services.

EDS would like to make it clear that we do not propose that GSA eliminate any of the services proposed under Networx; rather, it is our belief that Networx should offer an even broader, richer set of services and solutions. My comments that follow concentrate on the services that should be offered and explain why they should be offered.

GSA's government-wide responsibility offers a unique opportunity to support the agenda of the Congress and that of the Administration. GSA is in a position to leverage the buying power of the entire Federal Government and has a charter to lead the technology initiatives throughout Government. Networx should be aligned with the Office of Management and Budget's (OMB's) current efforts to move to common government-wide architectures.

Mr. Chairman, we commend you and your committee for your high level of interest in Networx, and we commend GSA for the leadership that Administrator Perry, Commissioner Bates, and Assistant Commissioner Johnson have shown. In

particular, GSA's continuous outreach to stakeholders will help ensure that services are acquired at the lowest cost to the taxpayer and that vigorous competition occurs.

Considerable investment will be required by both Government and industry, and we support long-term contracts for projects having such large size and scope; however, because the Networx contract may be effective for the period 2007 through 2017, GSA should give serious consideration to the services expected to be commonly available during that period and to companies' ability to provide those services. We understand that it is not GSA's role to promote the "state of the art," but GSA should not leave it to customer agencies to individually acquire services that are available in the marketplace and are appropriate for consolidated, government-wide buying consistent with the Government's common enterprise architecture goals.

The telecommunications industry will be much different by 2007 and beyond. There is compelling evidence that the information technology (IT) and telecommunications industries are converging and that traditional telecommunications will largely be acquired using commodity schedules or through integration into total service packages and solutions. In the complete text of this testimony, there are references to a number of industrial, Governmental, academic and medical organizations that have implemented, or are in the process of implementing, converged solutions. Most will be fully implemented and mature by

2007. Also included are references to two convergence studies that were completed in June and August of this year. These studies, published in *The Economist*, each surveyed approximately 100 senior executives on the subject of convergence. The first study found that two thirds of the organizations surveyed will shift their applications to unified networks within the next five years and that one quarter sees this integration as crucial to fulfilling their business strategy. The second study and report concluded that 75 percent of companies will achieve widespread migration to converged networks within three years.

I would like to say a few words in definition of convergence and the associated core enterprise services we are discussing. The definition I am using envisions: all services (voice, data, and video); the associated operating and business applications; integration of transport, storage, and management with the network infrastructure; and use of a data stream based on the Internet Protocol (IP).

These services will include such items as: information storage, security; messaging; collaboration tools; various business applications; situation awareness capabilities; knowledge management tools; hosting capabilities; and other services. Associated enabling devices such as desktop computers, laptop computers, and telephones should be included. Blackberries, pagers, and other remote devices, together with seamless network connectivity, should be included so that a maximum

of capability is provided wherever the user happens to be. The industry is transitioning toward integrated networks that will provide all media over a data network using IP. We expect maturity by 2007, which will render the risk far less than if Government agencies acquire services independently. Along with these technology developments, we believe that traditional telecommunications organizations in the user community will be fully integrated into the IT organizations.

The transformation of the communications marketplace defines a specific progression of events. We anticipate this progression as follows:

- Transport will become a commodity, and minimal strategic value will be placed on carrier providers. Transport will become a converged set of IP-based services and applications.
- IP solutions will become the strategic product, which will be built on the infrastructure through the desktop, PDAs, and other devices. In essence, the current logical demarcations will be moved further into the infrastructure.
- Government agencies will be enabled to move toward true performance-based relationships, in which the success of the mission is directly related to the underlying technology that provides the solution.

End-to-end services fit this new mold best. This approach deals with the infrastructure as it directly interfaces with the user and also facilitates consistent thought leadership across the infrastructure. These success factors are critical in IP-driven transformations. By anticipating these marketplace shifts, the Federal Government can provide for the breadth and flexibility that will be required to integrate effective offerings over the life of a contract.

Although the transport components will continue to be a foundation for the applications services being carried, we predict that these will be dwarfed in importance by the applications. We believe that with these enhancements, the Networx program can provide true best-value solutions, deliver cost savings to the taxpayer, increase user productivity, and contribute to organizational transformation. The Networx program should be an integral part of the Government's enterprise architecture. In attracting customer agencies to participate, GSA should offer a wide array of integrated services, thereby discouraging agencies from acquiring them individually.

Mr. Chairman, thank you for the opportunity to comment; I will be pleased to answer any questions.

Issue: Obtaining network services—What is the best approach?

Technology changes in the marketplace are rapidly transforming the network landscape. Organizations, including government agencies, expect more and more from their networks. The value of a network is shifting from providing the benefits of connectivity to providing end-to-end applications and business solutions. As technologies continue to converge, contracting vehicles are needed that allow government customers to obtain their network services by obtaining performance-based business solutions.

The General Services Administration (GSA) has sought industry's insight and comments on the future of network services acquisitions in the government. The GSA seeks to position its Networx contract appropriately in today's marketplace so that it can optimize the contract's effectiveness in bringing the benefits of industry to the government. The following discussion presents a view of how the GSA can best align its Networx contract to meet the needs of its customers in conjunction with this evolving landscape. By adopting the recommendations presented, GSA will ensure that the volume of business conducted under Networx increases.

Aligning Networx to today's technology—and the needs of today's government

The focus of contracting for network services has been on obtaining circuits and the cost of the transport. This approach has not addressed how the network can be the foundation for significant transformation of the organization and how the network can deliver operational cost savings, end user productivity gains, and competitive advantage through leveraging new technologies. Today, there is a drive to accomplish more and more with technology, and the network is an integral part of the enterprise applications architecture.

Networx has the potential to provide a forward-facing procurement program with a broadened suite of services available to government organizations through GSA. This will enable the customer to obtain end-to-end network solutions and services, including network applications as a whole and not as piece-parts requiring assembly by the organization. This is more in line with the way that network services will be available to customers. If the emergence of the new network model outpaces the ability to readily obtain these services within Networx, customers may elect to run their own procurements, awarding their own contracts and bypassing Networx.

By expanding the GSA offering suite available through Networx, customers can obtain a greater diversity of solutions and better aligned solutions. Further, they will have greater flexibility to obtain network services that more closely address their total business needs, not as discrete components. The graphic, "Emerging Approach to Obtaining Network Services," shows some of the network features, solutions, and trends that drive customer requirements today and should be reflected in future network services contracts.

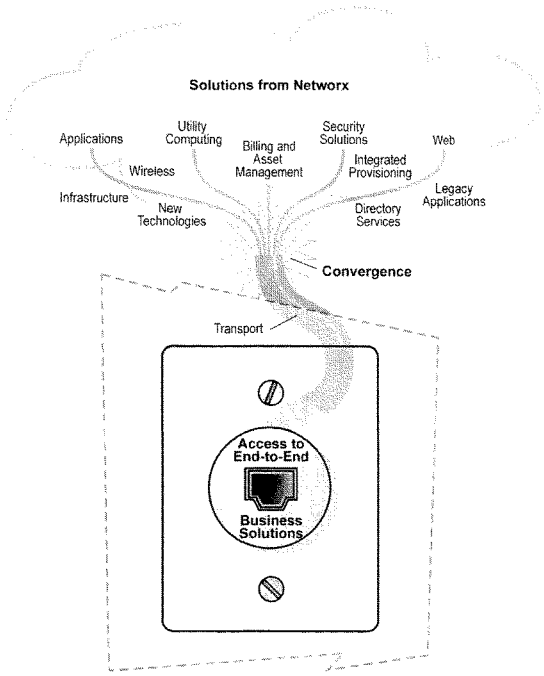
Today's network landscape

Internet protocol (IP) communications are transforming the network model dramatically and improving business performance. The evolving networks are more intelligent and applications-aware, with the applications aligned to supporting the business objectives. IP communications solutions, such as IP telephony, IP video teleconferencing, unified messaging and voice mail, voice gateways and applications, security solutions, and enterprise network management, are currently available with the trend leading to more network-based applications in the future.

Directory services and access, including solutions such as meta-directories and single sign-on, allow organizations to gain operational efficiencies. These solutions, which enable the functionality of desktops, servers, and Web and remote access, have become tightly integrated with the network architecture, performance, and security. Services are needed that align network-based applications to an effective network and infrastructure architecture.

Utility computing provides for a more agile enterprise and simplified oversight of the network. This allows desktop, network, applications, and security services to be bundled and purchased as a utility, providing business solutions. Resulting performance-based service level agreements (SLAs) enable alignment of network operations to the mission of the organization, rather than to merely technical specifications. Performance-based contracting increases the value of programs to their customers. The use of these programs in government is increasing. By using a service model with SLAs that define incentives and disincentives and align with their missions, customers receive greater value for their dollars.

Converged voice and data networks have extended the network beyond its traditional demarcations, and promoted a trend where customers acquire end-to-end solutions that help them effectively harvest the value of their network investment. This demands a strong



Emerging Approach to Obtaining Network Services

knowledge of the applications across the architecture aligned with consistent thought leadership to effectively support the organization. The integration of services is a complex challenge, the value of which increases as technologies converge.

Multicarrier solutions are now popular and significantly mitigate the risks that are a part of today's carrier industry. It is becoming unusual for mission-critical networks to be provided by a single carrier, particularly at the access and Internet access areas. Customers need the flexibility to react to marketplace events and to enter into long-term programs that ensure continuity of services. Multicarrier network infrastructures can be rapidly shifted from one provider to another in reaction to marketplace events.

Wireless communications are rapidly impacting the network landscape, making it far more complex and far reaching. The wireless vision is simple: provide continuous and secure access to data inside and outside of multiple locations across disparate geographies. A consistent solution requires coordination and common management across a number of service and device providers. No single service provider currently has a ubiquitous wireless footprint nor is likely to in the near future. Secure single sign-on across the enterprise is needed, not as a separate feature but as an integral part of these solutions.

Common platforms for management, reporting, billing, and provisioning allow customers to effectively oversee their networks across all services. A single, Web-based platform that integrates asset management, change management, and trouble resolution maximizes operations. Automating these processes provides a solution that drives down the costs of operations, and also increases network reliability and improves customer services.

Recommendations for Networx

Emerging technologies are rapidly transforming the network marketplace. Government agencies need a Networx contract that allows them to obtain not only network connectivity, but a host of associated services. Networx should be tailored to afford customers the flexibility and opportunities to procure a range of services that are integral to a full, network-enabled business solution. GSA should avoid a narrow focus that may result in discouraging customers from using Networx. Instead, it should embrace this emerging network model and help customers capitalize on its benefits.

It is recommended that services available through Networx should be expanded to enable GSA to maintain pace with emerging technologies and the diverse, evolving needs of its customers. Some solutions that are appropriate as part of an expanded suite include the following:

- Directory services and meta-directories
- IP communications
- Local and wide area network (LAN/WAN) solutions
- Managed desktop environment
- Managed wireless networks
- Multicarrier networks
- Single sign-on
- Specialized security services
- Web hosting
- Desktop to desktop solutions
- Utility computing
- Converged voice and data.

Expanding the types of services provides convenience and flexibility for GSA's customers, and positions Networx as an effective way to capitalize on the transforming technology landscape and access the many benefits of industry. Establishing a foundation that will continue to expand Networx is also important, since new solutions will continue to evolve. Including a robust services suite will ensure that the contract addresses the types of services and solutions needed today—and those needed in the future.

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SELECTED IMPLEMENTATION EXAMPLES AND CONVERGENCE STUDIES

Introduction

The following examples are records of convergence and network integration efforts from a variety of sources. Their scope ranges from complete outsourcing of information technology (IT) and telecommunications operations and all security and applications such as has been performed for the Navy Marine Corps Intranet (NMCI) contract to initial convergence efforts such as those of Science Applications International Corporation (SAIC). These examples include commercial, government, educational, and health care-related projects.

The object of these descriptions is to raise awareness of projects that have been initiated within the past five years. Many of these implementations have been completed. Most of them were undertaken for the purpose of cost savings; however, they have also resulted in simplicity, efficiency of operations, and ease of scalability to additional sites. We also include citations of two articles on convergence published in *The Economist*. Additional information is available on request.

Commercial Examples

Bank of America

Bank of America is among the world's leading financial institutions and has more than 4,200 branches in 21 states. EDS, the Bank's systems integrator, has become the single point of contact for Bank of America. Leveraging its partner and vendor relationships, the EDS team provides for Bank of America a flexible, secure telecommunications solution that applies best-in-class technology and processes to closely focus on the Bank's specific objectives. This integrated solution comprises the following functions:

- Wide area network (WAN)
- Large area network (LAN)
- Conferencing services
- Voice and video communications
- Network management services
- Converged network services
- Service desk services.

Eastman Kodak

Of Kodak's 64,000 global employees, half now use converged networks. Kodak estimates toll and access charge savings of 30 percent to 80 percent, depending on location.

EDS South Australia

The original purpose of this initiative was the implementation of a more efficient communications system. EDS deployed a converged network featuring Internet Protocol (IP) telephony and voice mail. System uptime and user satisfaction levels are consistently high. EDS reduced monthly recurring costs by 15 percent and the cost of changes by more than 50 percent.

H.J. Heinz Foods

H.J. Heinz integrated its European voice and data networks into a single IP platform and achieved objectives that included reduced costs and flexibility in adding new locations. Heinz concurrently merged responsibility for voice and data applications into its IT department.

Science Applications International Corporation (SAIC)

SAIC has implemented IP voice communications across the entire company and realized significant savings.

Tesaro Petroleum Corporation
Tesaro, a Fortune 500 company, is one of the world's largest independent oil refining, distributing, and marketing companies, with annual revenues of more than $5 billion. Tesaro has networked 600 business locations into an IP, voice, and other media capability. Tesaro's business goals for the IP solution were increased stability, lower WAN costs, and reduced infrastructure costs at field locations. All goals have been met, and Tesaro has realized additional benefits of greater ease in making changes and in adding new locations.

Government Examples

Environmental Protection Agency (EPA)
The EPA awarded a multi-million contract to Dyncorp to organize and manage its vast IT and telecommunications services. The implementation is currently on schedule.

Navy Marine Corps Intranet (NMCI)
NMCI provides comprehensive, end-to-end information services, enterprisewide to more than 360,000 Navy and Marine Corps users through a common computing and communications environment. NMCI's geographic scope includes the Continental United States (CONUS), Alaska, Hawaii, Guantanamo Bay (Cuba), Puerto Rico, and Japan. This environment enhances system and software interoperability and enhances information exchange among garrisoned and deployed forces. The Government's objectives include enhanced network security, interoperability with the other Services, knowledge sharing, increased productivity, improved reliability and service quality, and reduced costs. More than 300,000 seats have been assumed by EDS, the prime contractor. Objectives are being achieved. Added benefits include a drastic reduction in unique software from more than 100,000 legacy applications to fewer than 10,000 and the ability to add new sites or change scale quickly.

Transportation Security Agency (TSA)
Implementing the mandates of the Transportation Security Act (TSA) very quickly following the events of 9/11, a billion dollar converged telecommunications contract was awarded to Unisys in August 2002. The contract provides integrated IT and telecommunications services, both wired and wireless. The new systems are currently being implemented at hundreds of airports and other TSA offices around the country. Internet-ready applications and wireless capability are now being deployed throughout the network.

Educational Institutions

Aston University, U.K.
Aston University is deploying an IP converged voice, data, and video network.

University of Connecticut
The University of Connecticut deployed a converged network to provide voice, data, video, multi-media applications, and wireless mobility to its School of Business. This solution also includes multimedia collaboration tools and supports the active stock trading floor used in business classes. The project combines an advanced university environment, stringent security, IP telephony, and applications-focused data networking capabilities.

University of Grenada
The University of Grenada is deploying IP telephones across five campuses. This solution will also enable remote access for personal computers and PDAs.

Health Care Systems

AUSL-Nuoro, Italy

AUSL implemented a comprehensive, cost-effective voice and data network that is capable of supporting multi-media applications. All seven Nuoro hospitals are served by the systems, which enable medical staff and patients to benefit from telemedicine and other relevant applications. The implementation began in 2002 and is now completed. The solution saves money, improves security, and provides a new tele-diagnostic service.

Erlanger Health System

This health care leader, which operates in a four-state area implemented a converged voice and data system as a platform for advancing patient care. Erlanger's objective was to reduce costs and complexity. It integrated the previously separate voice and data networks, including Voice over Internet Protocol (VoIP). Erlanger achieved cost reductions, simpler network management, and readiness for future applications.

Gwent Healthcare NHS Trust

Gwent employs more than 11,000 personnel who are deployed throughout Wales to provide health care to more than 600,000 people. The converged network connects 23 hospitals and clinics and Gwent staff. Gwent's main objective in upgrading its system was to support future applications. It also wanted seamless integration, the ability to control costs effectively, and the ability to incorporate new technologies as they become available. In addition to meeting these objectives, Gwent also experienced improved productivity for network managers, cost savings, and capabilities for imaging and for a patient record system.

Selected Articles

"Deploy or Delay? – Converged Networks in the Enterprise." White Paper by *The Economist* Intelligence Unit, June 2004.

This article indicates that two thirds of organizations are planning to shift applications across their businesses to unified IP networks within the next five years. This is according to a survey of 103 senior executives conducted for this report. A quarter of the executives interviewed see this as crucial to fulfilling their business strategy.

"The Next Moves – Convergence in the Communications and Content Industries." White Paper by *The Economist* Intelligence Unit, August 2004.

This article was based on surveys and in-depth interviews with more than 100 senior executives. The study concluded that approximately 75 percent of them would transition to IP-based converged networks within three years.

TRANSITIONING FROM FTS 2001 TO A NETWORX CONTRACT OFFERING INTEGRATED IT AND TELECOMMUNICATIONS SERVICES

The emerging trend in the telecommunications industry is a change in the way networks are procured. The industry is moving away from an infrastructure-based provision of services; that is, purchasing connectivity. The industry is moving to an approach where a core set of common services is obtained. This change allows relatively easy provision of value-added capabilities, giving users greater access to the information and functions they need and speeding their ability to perform their missions.

In this environment, the applications become the most important communications factor, and the company responsible for the end-to-end integrated services is responsible for selecting the carrier(s), applications developers, and information technology (IT) providers that have the most appropriate pricing and solutions.

Government agencies are understandably apprehensive about transitions from one carrier to another. Many of us remember the time and money required to transition to FTS 2000, then 2001. Carriers now have established nationwide or worldwide "clouds," which make it much easier to plug into the network at any location. We are no longer dealing with point-to-point connections, we now simply add an address to the cloud. A real-time Internet Protocol (IP) network allows an integrator or network operator, together with the applications provider, to rapidly create and provision new services and new locations based on the needs of each individual customer.

In the future, with the foregoing scenario, carrier transitions will be easier and less risky; this will help create a smooth transition from FTS2001 to Networx. Implementation of a network, however, should not be viewed as the "end game," just as having a computer on your desk is not the real goal. The real objective should be to provide access to information and to enable rapid response to changing requirements; to do that, a converged network architecture is essential. We believe that you should provide this capability as a platform for the future.

Chairman TOM DAVIS. Mr. Hogge.

Mr. HOGGE. Good morning, Chairman Davis, members of the committee, and thank you for inviting me here today to speak to you about the Networx program. My name is Jerry Hogge and I'm senior vice president and general manager of Level 3 Communications, government markets.

On February 26 of this year, Level 3 and other industry participants testified before this committee to offer suggestions about how GSA might best procure telecommunications services through the Networx program. The efforts of this committee and GSA's Federal Technology Service appear to have made significant improvements to the original procurement approach as announced in the Networx request for information released last fall. As outlined in GSA's August 11th briefing, the revised approach embraces many of the procompetitive recommendations offered by industry. However, since the full details of the revised strategy won't be available until the draft RFP is released, certain central elements of the procurement remain as open questions. Level 3 believes that GSA's revisions, together with a few key additional elements, can combine to maximize competition, attract Federal agency participation, and ensure best value for our Federal Government and taxpayers. Level 3 is encouraged by the revised strategy and looks forward to reviewing the full detail of how the proposed changes will be implemented as well as how the remaining elements of the procurement will be characterized in the draft RFP.

In our earlier testimony, Level 3 made four recommendations which we believe must be addressed to ensure competition and end-user value in the Networx program. Those recommendations were that Networx should allow bidders to bid to their strengths; that Networx should specify the services required and avoid specifying particular technologies; that Networx should avoid being locked into one or two providers; and that Networx should allow for the adoption of best practices for operational support.

We believe that GSA has taken very positive steps to address these issues through its revised strategy. Specifically, we believe that GSA's proposed changes improve the Networx procurement in four key dimensions.

First, Networx service ubiquity requirements appear to have been substantially relaxed. Level 3 considers this revision procompetitive because it allows communications providers to bid to their strengths, while permitting them to expand their coverage as their networks and services expand.

Second, Networx service requirements are now to be specified in functional terms with key performance criteria rather than in terms of specific technologies. Level 3 considers this proposed revision fundamental to ensuring that Networx will be flexible enough to facilitate the availability of leading-edge technology as well as address the possibility of legacy service obsolescence.

Third, Networx-Universal and Networx-Enterprise contracts are to be simultaneously awarded. Level 3 considers this proposed revision essential to leveling the competitive playing field, encouraging competition, and reducing the possibility for Networx to be dominated by one or two providers.

Four, the number of required billing elements is expected to be reduced by 62 percent. In our view, it appears that these simplifications will be procompetitive, as reduced operational requirements should reduce the cost of entry for new competitors and may add flexibility to the program as new services are introduced.

In addition to these four areas, GSA's strategy document addressed potential changes covering a wide range of program elements. Level 3 is encouraged by the proposed changes and will offer a complete assessment when greater detail is released in the draft request for proposal.

I'd like to suggest that a number of critical issues should be addressed to ensure that Networx delivers the greatest value and efficiency to the government. Most important are two related terms that address, one, the government's business commitment to successful bidders; and two, the means through which the government will ensure full competition at the time of contracting and then post award.

These two concepts are at the heart of the Networx program's ability to attract agency participation, to motivate vigorous industry competition, and ensure best value for end-user agencies. Just as agency decisionmakers will weigh the cost and benefits of making a change between possible service providers, so too will prospective bidders consider the costs, risks, and potential benefits associated with pursuing and winning a Networx contract. Specifying a minimum business commitment for each successful bidder is a simple tool to facilitate this assessment and directly leverage the government's aggregate buying power. Minimum business commitments, expressed through minimum revenue guarantees, serve as basic consideration for the competitive process.

Finally, in order for Networx to be a successful program for the government and industry, there must be an effective competition throughout the life of the program. There are many processes available to the government to ensure competition, and many methods have been used successfully by GSA and other agencies in the past. Indeed, the committee has touched on this issue by raising a question about GSA's ability to execute the Networx program as currently proposed. Based on GSA's high-level strategy and its extensive and successful record of achievement through previous programs, Level 3 is confident that GSA will be able to successfully design and implement the Networx program in such a way that it will stimulate agency participation and deliver agency value, while driving competition that will be fair to all bidders and result in meaningful business opportunity for successful industry participants.

In summary, GSA's revised strategy suggests that Networx will be flexible enough to encourage new competitive providers, new technologies, new services and changing market forces; that Networx's legacy operational and system requirements will be simplified, and that service coverage requirements will be optimized to the agency needs.

Level 3 looks forward to continuing to work with GSA and Chairman Davis and this committee to ensure that Networx continues along a successful path as the procurement process moves forward.

Thank you, and I'm happy to answer any questions that you have.

Mr. MICA [presiding]. Thank you. And we will hold questions till we have heard from the rest of the panelists.

[The prepared statement of Mr. Hogge follows:]

Testimony

of

Jerry W. Hogge

Senior Vice President/General Manager
Government Markets
Level 3 Communications, LLC

8270 Greensboro Drive
McLean, VA 22102

Before the

Congress of the United States

House of Representatives

Committee on Government Reform

September 15, 2004

Good morning Chairman Davis and members of the Committee, and thank you for inviting me here today to speak to you about the Networx Program. My name is Jerry Hogge, and I am Senior Vice President and General Manager of Level 3 Communications, Government Markets.

On February 26, 2004, Level 3 and other industry participants testified before this Committee to offer suggestions about how GSA might best procure telecommunications services through the Networx Program. The efforts of this Committee and GSA's Federal Technology Service (FTS) appear to have made significant improvements to the original procurement approach as announced in the Networx Request for Information last fall. As outlined in GSA's August 11th, 2004, briefing, the revised approach embraces many of the pro-competitive recommendations offered by industry. However, since the full details of the revised strategy won't be available until the draft RFP is released, certain essential elements of the procurement remain as open questions. Level 3 believes that GSA's revisions, together with a few key additional elements can combine to maximize competition, attract federal agency participation, and ensure best value for our federal government and taxpayers. Level 3 is encouraged by the revised strategy, and looks forward to reviewing the detail of how the proposed changes will be implemented, as well as how the remaining elements of the procurement will be characterized in the draft RFP scheduled for release later this year.

In our earlier testimony, Level 3 made four recommendations which we believe must be addressed to ensure competition and end-user value in the Networx program. Those recommendations were:

- Networx should allow bidders to bid to their strengths;

- Networx should specify the services required, and avoid specifying particular technologies;
- Networx should avoid getting locked into one or two providers and;
- Networx should allow for adoption of best practices for operational support.

We believe that GSA has taken very positive steps to address these issues through its revised strategy.

Specifically, we believe that GSA's proposed changes improve the Networx procurement in four key dimensions:

First: Networx service ubiquity requirements appear to have been substantially relaxed. Level 3 considers this revision pro-competitive because it allows communications providers to bid to their strengths, while permitting them to expand their coverage as their networks and services expand;

Second: Networx service requirements are now to be specified in functional terms, with key performance criteria rather than in terms of specific technologies. Level 3 considers this proposed revision fundamental to ensuring that Networx will be flexible enough to accommodate new services, facilitate the entrance of leading edge technologies, as well as address the possibility of legacy service obsolescence;

Third: Networx-Universal and Networx-Enterprise contracts are to be simultaneously awarded. Level 3 considers this proposed revision essential to leveling the competitive playing field, encouraging competition, and reducing the possibility for Networx to be dominated by one or two providers; and

Fourth: The number of required Billing Elements is expected to be reduced by 62 percent. In our view, it appears that these simplifications will be pro-competitive as reduced operational requirements should reduce the cost of entry for new competitors and may add flexibility to the program as new services are introduced.

In addition to these four areas, GSA's strategy document addressed potential changes covering a wide range of program elements. Level 3 is encouraged by the proposed changes, and will offer a complete assessment when greater detail is released in the draft request for proposal.

Level 3 suggests that a number of additional critical issues should be addressed to ensure that Networx delivers the greatest value and efficiency to the government. Most important, are two related terms that address: 1) the government's business commitment to successful bidders, and 2) the means through which the government will ensure full competition at the time of contracting and post award.

These two concepts are at the heart of the Networx program's ability to attract agency participation, motivate vigorous industry competition, and ensure best value for end-user agencies. Just as agency decision-makers will weigh the costs and benefits of making a change between possible service providers, so too will prospective bidders consider the costs, risks and potential benefits associated with pursuing and winning a Networx contract. Specifying a minimum business commitment for each successful bidder is a simple tool to facilitate this assessment, motivate rational bidding, and directly leverage the government's aggregate buying power. Minimum business commitments, expressed through minimum revenue guarantees, serve as basic consideration for the

competitive process, stimulate competition, and can facilitate agency decision-making post-award.

Finally, in order for Networx to be a successful program for government and industry, there must be effective competition throughout the life of the program. There are many processes available to the government to ensure competition and many different methods have been used successfully by GSA and other agencies in the past. Indeed, the Committee has touched on this issue by raising a question about GSA's ability to execute the Networx program as currently proposed. Based on GSA's high-level strategy, and its extensive and successful record of achievement through previous programs, Level 3 is confident that GSA will be able to successfully design and implement the Networx program in such a way that it will stimulate agency participation and deliver agency value while driving competition that will be fair to all bidders, and result in meaningful business opportunity for successful industry participants. Level 3 looks forward to continuing to work with GSA, and Chairman Davis and the Government Reform Committee, to ensure that Networx continues along a successful path as the procurement process moves forward.

Conclusion

In summary, GSA's revised strategy suggests that Networx will be flexible enough to encourage new competitive providers, new technologies, new services and changing market forces; that Networx legacy operational and system requirements will be simplified; and that service coverage requirements will be optimized to meet agency needs.

As GSA continues to work with industry and government stakeholders to develop Networx, we are confident that GSA will design a program that will ensure competition, provide meaningful business opportunity for successful bidders, and create a fair and level playing field for all competitors. Thank you, Chairman Davis, and the Committee for your time and consideration, and I am happy to answer any questions you might have.

Mr. MICA. I recognize now Mr. Robert Collet, vice president of Engineering, AT&T Government Solutions. Welcome, and you're recognized, sir.

Mr. COLLET. Thank you. Good morning, Mr. Mica and members of the Committee on Government Reform. My name is Bob Collet. I'm the vice president of Engineering and Chief Technology Officer for AT&T'S Government Solutions Division. I'm also leading the AT&T's FTS Networx proposal team. My remarks today respond to the committee's questions regarding FTS Networx benefits and GSA's ability to manage the program. We believe the procurement is on track, that the changes made since the RFI was issued last October are positive, and that the benefits that Networx can bring to the government should not be delayed. The procurement should stay on schedule and move forward as expeditiously as possible.

The first question in the committee's letter of invitation was whether the revised acquisition strategy as proposed by GSA would be effective in today's telecommunications environment. The answer to that question is yes. Through the Universal suite of products GSA will deliver four key things: a vehicle that enables continuity of service; products that anticipate future agency requirements; and choices and continuous competition. For those agencies that do not require the comprehensive suite of services under Universal, there will be a data network and wireless Enterprise tracks. And when GSA expands the multiple award schedule with additional telecommunication options, there will be an easy-to-use vehicle for obtaining off-the-shelf products.

The committee's second question focused on GSA's ability to execute the proposed strategy. We believe that GSA is capable of executing both Universal and Enterprise strategies if they are provided adequate resources. Managing a handful of Universal contracts and a larger number of Enterprise contracts would tax the management capabilities of any agency. The complexity would be further compounded if all Universal and Enterprise contracts provided up to 53 types of network services. Therefore, we recommend that GSA award only the number of contracts that it guarantees that it can manage well in terms of vendor, contract administration, and agency customer service.

The last question posed by the committee addressed the program's attractiveness to the agency in terms of best value. If the gist of the question is whether the Networx procurement is designed to give the agency the right products at the best industry practices, the answer is yes. The Federal Government, as a large-scale buyer, has tremendous purchasing power. We believe that agencies would be satisfied with GSA's acquisition strategy because it will yield competitive sources for a broad range of telecommunications hosting and application services. AT&T has consistently stressed the importance of strong security and continuity of operations capabilities. The current procurement addresses these requirements and will bring robust value to the agencies. While GSA is maintaining and expanding its portfolio of networking and hosting security services, agencies can obtain a rating of "green" on their Federal Information Security Management Act scorecard. Agencies can also obtain "green" on the continuity of operations

scorecard, as contractors will be required to provide robust national security, emergency preparedness, and disaster recovery services.

Finally, with regard to billing, even though GSA recently reduced the number of billing elements by 62 percent, the remaining elements should provide the agencies with the billing detail they need to effectively run their businesses. With the changes that have been made to date, GSA has the right vision for the Networx procurement. We believe the FTS Networx strategy is responsive to the needs of the agencies. The government should expect AT&T to submit competitive bids for both the Universal and Enterprise options of the Networx procurement. We look forward to bringing the government the benefits of our extensive investments in the network, security, continuity of operation services, and in applications services, and back-office systems to give agencies a quantum leap in productivity and to make America stronger and more secure.

Thank you, Mr. Chairman, for the invitation to appear before the committee. I appreciate having the opportunity to share AT&T's views on this important matter and welcome any questions that you may have or wish to ask. Thank you.

Mr. MICA. Thank you. We will withhold questions until we have heard from all the panelists, as I said.

[The prepared statement of Mr. Collet follows:]

Statement of Robert D. Collet
Vice President of Engineering and Chief Technology Officer
AT&T Government Solutions
Testimony before the
House Committee on Government Reform
September 15, 2004

Good morning Chairman Davis and Members of the Committee on Government Reform. My name is Bob Collet. I am the Vice President of Engineering and Chief Technology Officer of AT&T Government Solutions. I also lead AT&T's FTS Networx proposal team. My remarks today respond to the Committee's questions regarding FTS Networx benefits and GSA's ability to manage the program. We believe the procurement is on track, that the changes made since the RFI was issued last October are positive, and that the benefits that Networx can bring to the government should not be delayed. The procurement should stay on schedule and move forward as expeditiously as possible.

The first question in the Committee's letter of invitation was whether the revised acquisition strategy as proposed by GSA will be effective in today's telecommunications environment. The answer to that question is, "yes." Through the Universal suite of products, GSA will deliver three key things: (1) a vehicle that enables continuity of service; (2) products that anticipate future agency needs; and, (3) choices and continuous competition. For those agencies that do not require the comprehensive suite of services under the Networx Universal track, there will be the data network and wireless-based Enterprise tracks. And, when GSA establishes a telecommunications Multiple Award Schedule, there will be an easy-to-use vehicle for obtaining off-the-shelf services, similar to what users experience today on the Defense

Information Technology Contracting Office's bulletin board. Agencies will be able to quickly purchase commodity items from a wide range of sources.

The Committee's second question focused on GSA's ability to execute the proposed strategy. We believe that GSA is capable of executing both the Universal and Enterprise strategies if they are provided adequate resources. Managing a handful of Universal contracts and a larger number of Enterprise contracts would tax the management capabilities of any agency. The complexity is compounded if all Universal and Enterprise contracts provide up to 53 types of network services. We recommend GSA award only the number of contracts that it guarantees it can manage well in terms of contract administration with respect to its vendors and service to customer agencies.

The last question posed by the Committee addresses the program's attractiveness to agencies in terms of best value. If the gist of the question is whether the Networx procurement is designed to give GSA, and hence the agencies, the right products at the best industry prices, then the answer is, "yes." The federal government, as a large-scale buyer, has tremendous purchasing power. We believe that agencies will be satisfied with GSA's acquisition strategy because it will yield competitive sources for a broad range of telecommunications, hosting and application services. AT&T has consistently stressed the importance of strong security and continuity of operations components. The current procurement addresses these requirements and will bring robust value to the agencies. With GSA maintaining and expanding its portfolio of networking and hosting security services, agencies can achieve a rating of "green" on the Federal Information Security Management Act scorecard. By requiring contractors to provide National

Security and Emergency Preparedness services, including disaster recovery for wireline and wireless communications, an agency can also obtain "green" on the Continuity of Operations scorecard. Finally, with regard to billing, even though GSA reduced the required number of billing elements by 70%, the remaining elements will provide agencies with the billing detail they need to effectively run their businesses.

With the changes that have been made to date, GSA has the right vision for the Networx procurement. Today, Federal agencies are faced with increasingly demanding missions in an environment of fewer funds and resources. These dual challenges will persist throughout the life of the Networx contracts. Mission performance within these constraints will require a quantum leap in agency productivity. The Administration's E-Government initiatives, now being led by the OMB and the agency CIOs, will provide the means for major productivity improvements and an increasingly citizen-centered and results-oriented government.

With FTS Networx, GSA, as OMB's partner providing key networking, hosting and applications under a Federal Enterprise Architecture, has a unique opportunity to support the implementation of E-Gov services. As corporations are working to obtain increases in productivity through extensive use of the web and information technology to enable greater intra- and inter-company collaboration, so too are Federal agencies. However, it is important to note that, while much progress has been made, both industry and government are a long way from obtaining this important outcome.

For example, the Defense Information Systems Agency (DISA) is building a Global Information Grid, or GIG, to enable DOD's business applications to run anywhere by taking advantage of computing, storage and network services on-demand. Unlike today's web technology that requires a human to search web sites and interpret the results, DOD's network centric enterprise services will employ web technologies that allow machines, themselves, to conduct transactions over the web. To obtain substantial productivity benefits, AT&T and other technology companies are also building next generation business systems. To achieve this capability, government and industry are jointly working towards two key objectives:

1) Moving data, business logic and services from owned, stove-piped hardware and software to the web so that information can be easily and securely shared across organizations.
2) Collapsing multiple voice, data and video networks into a single, converged network to substantially reduce ownership and operational costs. Convergence will also yield new capabilities such as more robust support for mobile users and networks, video messaging, and massive, flexible, secure networks.

These two key transformations, and their integration, will not happen overnight. In addition to building our own next generation business systems, AT&T Labs is privileged to be working closely with DISA on the GIG. On the basis of that experience, we believe the FTS Networx Universal program has the breadth and depth of scope to achieve the next generation web services and converged network transport. We also conclude the proposed scope of the acquisition will bring competing contractors the ability to properly and optimally integrate the necessary systems and components.

In summary, AT&T supports the FTS Networx strategy provides a compelling vision. It should be viewed as responsive to the needs of the agencies since it requires contractors to be

competitive throughout the life cycle of the contract. It offers agencies a low-risk means for achieving the transformations that will enable information sharing throughout the government. The government should expect AT&T to submit competitive bids for both the Universal and Enterprise options of the Networx procurement. We look forward to bringing the government the benefits of our extensive investments in the network, in security and continuity of operations services, and in applications services and back-office systems to give agencies a quantum leap in productivity and to make America stronger and more secure.

Thank you, Mr. Chairman, for the invitation to appear before the Committee. I appreciate having this opportunity to share AT&T's views on this important matter, and welcome any questions that you or other members of the Committee might wish to ask.

Mr. MICA. Shelley Murphy is president of Federal markets for Verizon. Welcome, and you're recognized.

Ms. MURPHY. Thank you, Mr. Chairman and members of the committee. My name is Shelley Murphy and I'm the president of Verizon Federal markets. I want to thank you for giving me another opportunity to testify on the GSA Networx procurement.

In February of this year, I testified on concerns regarding the Networx procurement as laid out by the GSA. Verizon thanks the GSA for listening and addressing a number of our concerns. However, we believe a few key modifications are still necessary to allow sufficient competition on both the Enterprise and Universal contracts and to ensure that the contracts remain viable through the expected 10-year term.

Although the GSA reduced the number of wire centers for Universal bidders to approximately 5,400, the GSA requires vendors to provide a wide range of services including high-speed data services to all of these locations. From the information provided by the GSA, only about 5 percent, or 300 of these 5,400 Universal locations use these high-speed services today. Many of the sites may never need these services, so requiring them at all of the 5,400 wire centers on the Universal contract is excessive. It also presents a high barrier for companies attempting to bid on the Universal contract, effectively limiting competition to the traditional long distance carriers and increasing prices for the services that the government agency will require.

The GSA also needs to reevaluate its wireless strategy. The GSA provides the option for a wireless provider to bid on a modified Enterprise specification with only certain mandatory wireless requirements. However, the requirement of this modified procurement to provision service in 100 percent of the Nation's metropolitan statistical areas and 90 percent of the rural statistical areas would not allow Verizon Wireless, the Nation's largest carrier, to participate in the wireless-only Enterprise procurement.

Verizon is also concerned about the long-term viability of Networx. With the volatility of the telecommunications market, over time it is possible that consolidation will reduce the number of Networx awardees, thereby reducing the competition for services.

The GSA's current approach omits a plan for adding new technologies as they become available, and mandates the use of soon-to-be-obsolete services throughout the 10-year term of the contract. It is very expensive to build or retain infrastructure to support outdated technologies, and this will drive up prices. Such an approach will also limit competition to those with legacy networks in place, the traditional long distance carriers.

Verizon requests that the GSA consider several key changes to the network acquisition strategy. These changes will maximize competition, reduce risk, and achieve best value, while ensuring rapid introduction of new technologies and services.

The GSA defined approximately 300 locations that today require high-speed data services. For the Universal contract, the GSA should make high-speed data services mandatory for the 300 locations currently requiring these services, the remaining 100 largest metropolitan statistical areas and locations where the bidders have the services commercially available. The remaining locations

should be nonmandatory. These changes, in conjunction with the future deployment of new technologies by the industry, should satisfy the government's current and future needs for continuity of service, as well as increase the number of potential bidders for the Universal contract.

The GSA also needs to change the wireless coverage requirements to 95 percent of the top 100 most-populated markets to allow major wireless providers to bid on the optional wireless-only Enterprise contract. GSA should focus on the wireless carriers' ability to provision quality network coverage and advanced voice and data services within these markets.

As envisioned under the two-contract approach, there is no ability to compete agency requirements between the Universal and Enterprise contracts. One solution to maintaining sufficient competition on the Networx contract is to allow Enterprise contractors to graduate to the Universal contract as their capabilities evolve.

The GSA must define the processes and criteria by which old technologies and outdated standards are eliminated. The Networx contract must include a separate new technology insertion mechanism that allows for rapid contract modifications to add new technologies as they are made available. This process must be flexible enough to allow the marketplace to define the standards during the life cycle of the technology so that providers will not be required to provide outdated network services to the government. In addition, pricing needs to evolve as the technologies evolve.

In summary, the GSA has made significant progress evolving the Networx strategy, but the evolution is not finished. These recommendations will increase competition on both contracts, ensure highly competitive prices for required services, and protect the government's networks from obsolescence throughout the life of the contract.

I thank the committee for the opportunity to discuss the Networx procurement and would be pleased to answer any questions at the appropriate time.

Mr. MICA. Thank you.

[The prepared statement of Ms. Murphy follows:]

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

WRITTEN TESTIMONY BY SHELLEY MURPHY,

PRESIDENT, VERIZON FEDERAL MARKETS.

GENERAL SERVICES ADMINISTRATION NETWORX ACQUISITION PROGRAM

September 15, 2004

Mr. Chairman and Members of the Committee, Verizon Federal Markets. respectfully submits the following written comments on the Networx Acquisition to become part of the Committee Record.

Mr. Chairman and members of the Committee, my name is Shelley Murphy, and I am the President of Verizon Federal Markets.

I want to thank you for giving me another opportunity to testify on the GSA Networx procurement.

In February of this year, I testified on concerns regarding the Networx procurement as laid out by the GSA. Verizon thanks the GSA for listening and addressing some of our concerns. However, we believe a few key modifications are necessary to allow sufficient competition on both the Enterprise and Universal contracts and to ensure that the contracts remain viable through the expected ten-year term.

Although the GSA reduced the number of wire centers for the Universal bidders to approximately 5,400, the GSA requires vendors to provide a wide range of services, including high-speed data services (speeds greater than DS3 or 45 Million bits per second) to all of these locations. From the information provided by the GSA only about

five percent, or 300 of these 5,400 Universal locations, use these high-speed data services today. Many of the sites may never need these services, so requiring them at all of the 5,400 wire centers on the Universal contract is excessive. It also presents a high barrier for companies attempting to bid on the Universal contract, effectively limiting competition to the traditional long distance carriers and increasing prices for the services that the Government agencies will require.

The GSA needs to re-evaluate its wireless strategy. The GSA provides the option for a wireless provider to bid on a modified Enterprise specification with only certain mandatory wireless requirements. However, the requirement of this modified procurement to provision service in 100% of the nation's Metropolitan Statistical Areas and 90% of the Rural Statistical Areas wouldn't allow Verizon Wireless, the nation's largest carrier, to participate in the wireless-only Enterprise procurement.

Verizon is also concerned about the long-term viability of Networx. With the volatility of the telecommunications market, over time it is possible that consolidation will reduce the number of Networx awardees, thereby reducing the competition for services.

The GSA's current approach omits a plan for adding new technologies as they become available and mandates the use of soon-to-be obsolete services throughout the ten-year term of the contract. It is very expensive to build or retain infrastructure to support out-dated technologies, and this will drive up prices. Such an approach will also limit competition to those with networks in place—the traditional long distance carriers.

Based on our interpretation of how GSA will require pricing of access rates, Verizon believes that our previous concerns were addressed by allowing price structures to vary by location, and location-dependent access charges. However, until Verizon reviews the pricing tables and the draft RFP, flexibility in access pricing will remain an open item.

Verizon requests that the GSA consider several key changes to the Networx acquisition strategy. These changes will maximize competition, reduce risk, and achieve best value, while ensuring rapid introduction of new technologies and services.

- The GSA defined approximately 300 locations that today require high-speed data services. For the Universal contract, the GSA should make high-speed data services mandatory for the 300 locations currently requiring these services, the remaining 100 largest Metropolitan Statistical Areas, and locations where the bidders have the services commercially available. The remaining locations should be non-mandatory. These changes, in conjunction with the future deployment of new technologies by the industry, should satisfy the Government's future needs for high-speed data services, as well as increase the number of potential bidders for the Universal contract.
- The GSA needs to change the wireless coverage requirements to 95% of the top 100 most populated markets, to allow major wireless providers to bid on the optional wireless-only Enterprise contract. GSA should focus on the wireless carriers' ability to provision quality network coverage and advanced voice and data services within these markets.

- As envisioned under the two contract approach, there is no ability to compete agency requirements between the Universal and Enterprise contracts. One solution to maintaining sufficient competition on the Networx contracts is to allow Enterprise contractors to "graduate" to the Universal contract as their capabilities evolve.
- The GSA must define the processes and criteria by which old technologies and outdated standards are eliminated. The Networx contract must include a separate new technology insertion mechanism that allows for rapid contract modifications to add new technologies as they are made available. This process must be flexible enough to allow the marketplace to define the standards during the life cycle of the technology so that providers will not be required to provide outdated network services to the Government. In addition, pricing needs to evolve as the technologies evolve.

In summary, the GSA has made significant progress evolving the Networx strategy, but the evolution is not finished. Verizon's recommendations will increase competition on both contracts, ensure highly competitive prices for required services, and protect the Government networks from obsolescence throughout the life of the contract.

I thank the Committee for the opportunity to provide this testimony.

Mr. MICA. And we will hear from our final witness who is Jerry Edgerton, and he is senior vice president of Government markets at MCI. Welcome, sir, and you're recognized.

Mr. EDGERTON. Mr. Chairman and members of the committee, good morning. My name is Jerry Edgerton. I'm the senior vice president of MCI'S Government markets division. I want to thank Mr. Chairman and the committee for your support of the FTS 2001 program and I appreciate the opportunity to provide you with MCI's comments regarding the government strategy for Networx.

The existing Federal telecommunications program, FTS 2001, has been very successful in meeting the changing and expanding telecommunications needs of the Federal Government's agencies. The world, as well as the mission of many government agencies, has changed since that contract was awarded in 1999. And the Federal Telecommunications Service, FTS, has delivered on its promise to support increasingly complex communications needs. The FTS has been quick to respond to agency requirements by adding new services to support security, citizens' access to services, and continuity of operations.

Furthermore, GSA has delivered on its promise to provide value for government users. According to the GSA Fiscal Year 2003 Annual Performance and Accountability Report, FTS 2001 prices are 53 percent lower than comparable services purchased by large commercial clients.

MCI strongly believes that the Networx structure being proposed by GSA will continue to provide the flexibility, innovation, technology refreshment and value that agencies need to perform their mission-critical operations.

MCI attended the GSA's Networx Industry Day in August, and GSA provided a clear and detailed profile of its Networx strategy. MCI believes that GSA has been inclusive and diligent in soliciting input from all of the stakeholders in the Networx project. The strategy briefing has resolved most of our outstanding questions about the general direction of the program, with a few exceptions that I will note later.

MCI supports the FTS plan to provide agencies with choices by competing two separate contracts, Universal and Enterprise. Offering two separate contracts recognizes the fact that one size does not fit all Federal networks. The Universal contract allows agencies to procure the full range of telecommunication and network services by choosing from a set of capable teams. The Enterprise contract gives agencies the option of addressing additional telecom and network needs by choosing from more specialized providers.

The FTS also addressed industry's concerns about the timing issue of these two procurements and now plans to conduct those simultaneously. The Enterprise procurement also offers small and disadvantaged businesses an opportunity to compete for government business. They can continue to partner with the Universal service providers and bid Enterprise procurements as an additional entry to the Federal Government space.

MCI supports the requirement for continuity of service on the Universal contract. Many agencies desire to procure services from a single contractor who will provide all required network services to agency locations worldwide. Most agencies don't have the spe-

cialized technical staff, budget, time or systems and processing required to procure services from multiple vendors. The continuity requirement in the Networx proposal will save most agencies time and money and allow them to focus their resources on their mission-critical activities.

FTS has streamlined the Networx Management and Operations Support [MOPS], requirement. FTS listened to industry and has crafted an appropriate compromise between agency requirements and industry capabilities. This will allow agencies with extensive detailed billing and operational requirements to receive the level of support that is needed without raising the cost of doing business for all users. FTS is taking the right approach by mandating a fixed set of service capabilities on both Universal and Enterprise contracts. Agencies would be ill served by having to put together workable network solutions using a jigsaw puzzle of mismatched parts from different vendors. FTS correctly concluded that program flexibility that provides convenience for some service providers would not be beneficial for the government. Most agencies would face higher prices to fill the gaps in service.

MCI does have concerns about two unresolved issues that could negatively impact the ability of government to obtain the best possible pricing and services under Networx. First, FTS has not clearly set forth the number of awardees under either the Universal or the Enterprise procurements.

Networx, like FTS 2001, can provide agency users with the lowest possible prices by aggregating the massive volume-of-service demands for much of the Federal Government into a single contract vehicle. FTS should maximize the competition by encouraging as many bids as possible from potential service providers, but must limit the number of awardees.

In order for the government to lock in rock-bottom prices for the contract's 10-year term, providers must be confident of their ability to win certain levels of revenue. The greater the number of awardees, the less the business that each awardee will be able to capture and the more the government's purchasing power is diluted. FTS must leverage the government's volume to produce the lowest possible prices from industry.

Second, FTS has not offered many details on its proposal to add telecom services to the Federal Supply Schedule program. MCI supports the inclusion of commodity-like services on the Federal Supply Schedule. The absence of clear, precise definitions by the FSS will create uncertainty for Networx bidders by creating an unpredictable and uncontrollable backdoor, post-award path for entry into the Federal telecommunications market space.

In order to make the business case for the lowest possible prices, Networx bidders must have a level of certainty as to the number and type of services and thereby the potential revenue under the contract. I might add that this is a concern from any other government contract that attempts to offer services to other government agencies other than through GSA.

In conclusion, I want to assure this committee and the government that MCI is fully committed to ensure the continued success of FTS 2001 and the future success of Networx. GSA plans for the Networx procurement are on the right track. It will require compa-

nies like MCI to compete like never before, and will force our rivals to do the same. But that's really the whole point of the exercise and the only way to guarantee that Federal agencies and the taxpayers will get the best deal possible. Thank you.

[The prepared statement of Mr. Edgerton follows:]

WRITTEN STATEMENT OF

JERRY A. EDGERTON

SENIOR VICE PRESIDENT – GOVERNMENT MARKETS

MCI

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 15, 2004

Mr. Chairman and members of the Committee, good morning. My name is Jerry Edgerton. I am the Senior Vice President of MCI's Government Markets division. I want to thank you for the opportunity to provide you with MCI's comments regarding the Government's strategy for Networx, its next generation program for providing telecommunications and network services to Federal departments and agencies.

The existing federal telecommunications program, FTS 2001, has been very successful in meeting the changing and expanding telecommunications needs of federal government agencies. The world, as well as the mission of many government agencies, has changed since the FTS 2001 contract was awarded in 1999, and the Federal Telecommunications Service (FTS) has

delivered on its promise to support increasingly complex communications needs. The FTS has been quick to respond to agency requirements by adding new services to support security, citizen access to services, and continuity of operations.

Furthermore, the GSA has delivered on its promise to provide value for government users. According to GSA's FY2003 Annual Performance and Accountability Report, the FTS 2001 program saved taxpayers $574 million in 2003 and more than $1.6 billion over the life of the contract. The report further states that FTS 2001 prices are 53% lower than comparable services purchased by large commercial clients.

MCI strongly believes that the Networx structure being proposed by the General Services Administration (GSA) will continue to provide the flexibility, innovation, technology refreshment and value that agencies need to perform mission-critical operations.

MCI's Record of Delivering Benefits to Government Users

MCI is a leading global communications provider and operates the industry's most expansive global IP backbone. MCI develops the converged communications products and services that are the foundation

for commerce and communications in today's market. In addition, MCI is one of the largest telecommunications providers to the U.S. Government both as an FTS 2001 vendor and as a provider under numerous other federal contracts. MCI supports more than seventy-five federal agencies and has designed and implemented some of the most complex government networks in the world.

Our guiding principle is to make sure that government users get the full benefits of the competition on which MCI thrives – world-class service quality, the best available technology, and innovative problem-solving – all at a competitive price. And MCI has delivered - providing quality innovation and over one billion dollars of savings over the life of the contract under FTS 2001.

The Networx Program is on the Right Track

MCI attended the GSA-sponsored Networx Industry Day on August 11 and believes that the GSA provided a clear and detailed profile of the Government's Networx strategy. We look forward to continuing to work with the GSA toward the issuance of the draft RFP early in November. The strategy briefing resolved most of our outstanding questions about the

general direction of the program, with a few exceptions that I will note later in my remarks.

MCI believes that the GSA has been inclusive and diligent in soliciting input from all the stakeholders in the Networx project. Importantly, GSA has focused on the needs and expectations of their agency customers. The Networx strategy outlined by GSA last month demonstrates a careful, detailed evaluation of all the comments and issues while keeping the focus on low cost, efficiency and technological advancement.

The FTS plan will maximize benefits to agencies and taxpayers because of several critical features:

- **Competing two separate Networx contracts – *Universal* and *Enterprise*.** MCI supports the FTS commitment to provide agencies with choices in addressing their telecommunications and network requirements. The *Universal* contract allows agencies to procure the full range of telecommunications and network services by choosing from among a set of capable teams. The *Enterprise* contract further allows agencies the option of addressing additional telecommunications and network needs by choosing from among a range of more specialized

providers. Offering two separate contracts recognizes the fact that one size does not fit all in the Federal networks arena.

At the Committee's February hearing, some industry voices opposed the FTS plan to conduct the Networx procurement approximately nine months apart. FTS addressed the timing issue and now plans to conduct the procurements simultaneously.

The *Enterprise* procurement also offers small and disadvantaged businesses an additional opportunity to compete for government business. Under the FTS 2001 contract, MCI successfully engaged many small businesses to deliver complex technologies and customer service. For example, Concert Technologies of Dulles, Virginia was a key contributor in the transition from FTS 2000 to FTS 2001 and continues to work with MCI as an active partner on the program. While MCI will once again offer small businesses opportunities to participate on our Networx team, the *Enterprise* procurement offers small business an additional entry into the federal government space.

- **Demanding continuity of service on the *Universal* contract.** Most agencies don't have the specialized technical staff, budget, time, or systems and processes required to procure services from multiple

vendors. Many agencies desire to procure services from a single contractor who will provide all required network services to all agency locations worldwide. It is extremely difficult for an agency to seamlessly integrate different services from different providers in different geographical areas. With the convergence of voice, data and video over IP networks, continuity of service becomes especially important so that agencies can obtain the performance and cost benefits of a single network. The continuity requirement in the Networx proposal will save most agencies time and money and allow them to focus their resources on their mission-critical activities.

- **Streamlining the required Networx Management and Operations Support (MOPS) requirements.** FTS listened to industry and found an appropriate compromise between agency requirements and industry capabilities in the redefined MOPS requirements. This will allow agencies with extensive detailed billing and operational requirements to receive the level of support that is needed without raising the cost of doing business for all users. The draft Networx RFP will provide more detailed guidance on the MOPS requirements and MCI will provide further comments in its reply submission.

- **Mandating a fixed set of service capabilities on both the *Universal* and *Enterprise* contracts.** Agencies are best served by having access to a comprehensive set of services supplied by a single vendor team. Agencies would be ill served by having to put together workable network solutions using a jigsaw puzzle of mismatched parts from different vendors. FTS correctly concluded that suggestions by some in industry that "program flexibility," convenient for service providers that do not offer a comprehensive set of network services, would not be beneficial for the Government. Such "flexibility" would leave most agencies facing higher prices to fill gaps in service.

MCI's Concerns Regarding Unresolved Networx Issues

MCI, however, has concerns about two major unresolved issues that could negatively impact the ability of the Government to obtain the best possible pricing under Networx and on the effectiveness and viability of the program. First, FTS has not clearly set forth the number of awardees under either the *Universal* or the *Enterprise* procurements. Second, FTS has not offered many details on its proposal to add telecommunications services to the Federal Supply Schedule program. On these outstanding issues, MCI makes the following recommendations:

- **The Government should set clear limits on the number of Networx contract awards.** Networx, like FTS2001, can provide agency users with the lowest possible prices by aggregating the massive volume of service demand from much of the federal government onto a single contract vehicle. FTS should maximize competition by encouraging as many bids as possible from potential service providers but must limit the number of awardees. Unless the Government places meaningful limits on the number of Networx contract awards, industry will not be able to give FTS its best prices.

In order for the Government to lock in rock-bottom rates for the contract's 10-year term, providers must be confident in their ability to win a certain level of revenue. The greater the number of awardees, the less business that each awardee will be able to capture and the more the Government's purchasing power is diluted. While MCI supports the FTS decision to eschew large Minimum Revenue Guarantees in the Networx program, the absence of high guarantees necessitates a limit on the number of awardees.

FTS must strike a balance between giving agencies a wide choice of providers and coaxing the lowest possible rock-bottom bid prices from

industry and set a meaningful limit on the number of awards under the Networx contracts.

- **The Government should place clear limits on the number and types of services that will be included on the Federal Supply Schedule (FSS).** GSA has discussed a major change in policy by including telecommunications services on their multiple-award Federal Supply Schedule program. MCI supports inclusion of commodity-like services on the FSS and testified in support of this change at the Committee's February 26 hearing. However, MCI believes it is important that the Government place clear limits on the number and type of services that are included on the FSS.

  For example, simple inbound 800 services have become a well established commodity and could be included on the FSS. However, more complex "enhanced" 800 services like Intelligent Routing should not be treated as a commodity. These enhanced services should be placed under the Networx umbrella to ensure service quality, enable comparisons between vendor offerings, and allow FTS oversight of vendor performance.

Furthermore, in the absence of clear, precise definitions, the FSS program will create uncertainty for Networx bidders by creating an unpredictable and uncontrollable "back door" post-award path for entry into the federal telecommunications space. Again, in order to make the business case for the lowest possible, rock-bottom prices, Networx bidders must have a level of certainty as to the number and types of services – and, thereby, the potential revenue – under the contract.

Conclusion

In conclusion, I want to assure this Committee and the Government that MCI is fully committed to ensure the continued success of FTS2001 and the future success of Networx. Over the years, through good times and bad, MCI has maintained its steadfast commitment to our Government customers. We have delivered superior network performance and customer service while introducing integrated solutions that enhanced government productivity and efficiency. MCI will continue to provide the latest technologies, excellent service, and great prices to our nation's agencies and military services.

GSA's plans for the Networx procurement are on the right track. It will require companies like MCI to compete like never before, and it will force our rivals to do the same. But that's really the whole point of the exercise

and the only way to guarantee that federal agencies and taxpayers get the best deal possible.

Thank you.

Chairman TOM DAVIS [presiding]. Well, thank all of you for your testimony. I'm sorry I wasn't here for everything. We're trying to get a couple of things straight over on the floor, but I have read everybody's testimony.

Let me ask each of you—and I don't want you to be bashful; GSA won't hold anything against you, I'm sure, when they start evaluating the prospective bids—but how would you rate GSA's overall performance on a scale of 1 through 10? And, Don, I'll start with you. I don't want to put anybody on the spot, but I just want to——

Mr. SCOTT. Seven.

Mr. HOGGE. Eight.

Mr. COLLET. Eight and a half.

Ms. MURPHY. Eight.

Mr. EDGERTON. Eight point five.

Chairman TOM DAVIS. I don't think anybody hurt themselves there.

A recurrent theme, we have some different testimony, is does the proposed structure provide enough flexibility for companies to offer new services as they become available? That's a critical question for us, because things change so quickly in this. I'll start and just go down the line.

Mr. SCOTT. I think it provides the flexibility to provide infrastructure certainly, telecommunications infrastructure. But it does not provide the capability to move to where I think the government—the whole industry is going to be in this timeframe, and that is the convergence of telecommunications and IT so that it all ends up as a solution. And so I don't think—I don't think it will get GSA to that point. And what I fear is, if they don't, we are going to have more situations such that we have in this agriculture and such that we have had at Homeland Security and other places.

Mr. HOGGE. From Level 3's perspective, we are one of the companies that is going to be providing those infrastructure or telecommunications services, some broad-brush strokes were given in the strategy document. But we were encouraged by the specification of requirements and functional terms with key performance criteria rather than by specific technologies. And we see that as a key element of flexibility needed in the future.

Mr. COLLET. I believe there is plenty of flexibility in the acquisition strategy. If you break it down into components such as telecommunications, definitely. For wireless there is, especially from a mobile virtual service operator perspective.

And I do disagree with Mr. Scott's proposition about information technology. The acquisition, from our perspective, includes a substantial amount of flexibility in the IT space, because hosting and application services are a part of the acquisition, and therefore we should be able to integrate those in very nicely with the network and actually provide it in an optimal way.

A model would be to look at how the Defense Information Systems Agency is structuring its network-centric Enterprise services and the global information grid. You don't want to take it too far. You don't want to do too much at one time. By starting first with the establishment of Web services, things on the desktop can certainly come later, and they certainly become simpler rather than more complex.

Ms. MURPHY. We are really pleased also by functional definitions of the services that GSA provided in the strategy documents that they released. And we believe there is adequate flexibility. We won't know until we really see the process further defined.

Ms. Bates mentioned that it will be through, you know, contract modifications with three pads in, you know, that's—that sounds very good. But once we get to the draft RFP and see the further definition, we'll be able to answer that more clearly.

The other piece that's critical is the flexibility and pricing of those new services. Pricing algorithms that have been used for traditional services aren't going to work for the services of the future, because the underlying infrastructure is different and the pricing structures need to differ to go along with that.

Mr. EDGERTON. Mr. Chairman, if the success on the change-out of the services and the requirements by the agencies in the FTS 2001 is any indication, what we implemented in 1999 and 2000 is totally different than what the customers are asking for today. And the current vehicle has been adaptable for that, and we believe that the current processes that have been in place will allow those kinds of innovations to be presented and accommodated in this next procurement.

Chairman TOM DAVIS. My time is almost up for my first round. But Ms. Murphy let me ask you. You suggested GSA needs to make some changes in its strategy, particularly reducing locations specified for high-data services and reducing wireless, a couple of its requirements. Would these changes be necessary for firms other than, you know, the usual long distance carriers? I mean, how would you——

Ms. MURPHY. We believe that these changes will increase the number of companies that are in a position to respond to the Universal portion of the procurement.

Chairman TOM DAVIS. Correct. But I'm trying to look at the bells. I mean, you've removed more in the long distance business, the backbone, but this is still a very high bar for you is what you're telling us.

Ms. MURPHY. This is still a very high bar, especially when you consider that at this point, 5.5 of those 54 locations require those types of services today. We know the requirement for those services will grow over time. But we also believe that there will be alternate technologies available, wireless technologies, for instance, that aren't envisioned today that may provide more cost-effective ways to serve those customers at those higher bandwidth requirements in the future.

Chairman TOM DAVIS. And you also suggest that Networx should allow Enterprise contractors to graduate to be Universal as their capabilities evolve. And I asked this question of the panel prior to that: Do you think that feature would significantly increase competition both on the front end and as the contract goes on?

Ms. MURPHY. I don't know that it will increase competition for the Universal portion on the front end. But what it will do is help mitigate the risk for the industry issues that we are currently having. If you have consolidation within the industry, if that consolidation includes one of the traditional long distance providers that we could envision being awarded under Universal, what you want is

to make sure that you continue to have sufficient competition on the Universal contract to make sure that the government is continuing to get best value and rapid introduction of new services.

Chairman TOM DAVIS. Thank you. Ms. Watson.

Ms. WATSON. Universal communications is my interest, and you heard me raise some questions in the first panel. And anyone on this panel who would like to speak to it, are we looking at ways when we service our various agencies of setting up a Universal system that works, is tested, tried and true, across this country as it relates to security?

Ms. MURPHY. Ms. Watson, I think any number of the agencies are looking at putting that type of network infrastructure in place that will provide the high availability and security that's required. As we go forward in a post-September 11th world, I think part of the discussion we have had here today revolves around encouraging agencies to use the Networx procurement potentially as the vehicle to do that. My opinion is that the way the procurement is structured, with some minor changes, would allow the agencies to do exactly that.

Ms. WATSON. Do that monitor in terms of procurement, the efficacy of the products that are served—the products that are sold? And do they work? How do we evaluate the equipment? Is it a good contract, you know, and are they using state-of-the-art, and are we giving the best value for our money? How does your agency or the GSA do that?

Mr. COLLET. OK. Perhaps I could answer that question. The products that the government is asking for is under a broad scope. And many of the products—let me rephrase that. All of the products that they are asking for have standards. So things that need interoperability, they will certainly be able to have that. Now, there are some risk areas in the future with regards to convergence. Much work is being done in places like the Internet Engineering Task Force to establish the standards in which Networx can carry multiple kinds of communications.

Ms. WATSON. Let me just ask this. Who evaluates whether or not these contractors meet the standards at the end of their contract or during their contract? Who monitors to see that they meet these standards that are being formulated.

Mr. EDGERTON. I think the customers do that by virtue of their satisfaction with the services. GSA conducts an active program with the Interagency Management Council to make sure that the services being provided are up to the industry standards but are also forward looking. So each agency lays on the GSA its unique requirements, and then they are fulfilled through the GSA execution of that.

Ms. WATSON. Is there anywhere where the information that comes from the customers is housed so we can look back to see that we have made the best contractual decision, and that the equipment, indeed, or whatever the services are, indeed are of some value and a cost savings to the taxpayers? Is there any way that the information can be deposited in a central place? Does that exist?

Mr. EDGERTON. I think we would have to yield to GSA as to what their requirements are on that. But we certainly make available

performance in terms of installation, performance in terms of mean time to repair, overall network performance statistics, and so forth.

Ms. WATSON. Well you know, you hear story after story about how we contract for government services and equipment, and we are paying too much for what we are getting. And you know, we keep doing this, and I'm just wondering that this information could be deposited in a central place where we can see and kind of monitor, a committee like this, kind of monitor whether or not we are making the best decisions on procurement.

Mr. EDGERTON. I would submit that the competitive process that the GSA has put into place certainly on FTS 2001 has provided the opportunity for my esteemed colleagues to make aware to all customers, as well as GSA, the current price points and the current values in the marketplace, so there is always pressure to do better both from a pricing and performance perspective.

Ms. WATSON. Well, I know about competitive processes, but it seems like the people in several cases who do get the contracts are way over what they should be, and I don't know how that process works.

Mr. EDGERTON. Well, let me make one other observation. Under FTS 2001, there was a price management mechanism put into place to assure that the prices were always good, or as good or better than commercial. And as a result of the processes that GSA put in place, they have never had to exercise that option because our prices have always been better than commercial prices.

Mr. SCOTT. Let me support that, Ms. Watson. Over the last more than 10 years, GSA has led the industry in driving the prices down for this service. The initiative that was taken in that has driven these prices down. They are the best in the industry. And I am not one of the contractors.

Ms. WATSON. Well, let me ask this. Does the GSA deal with noncompetitive or nonbiddable processes?

Mr. SCOTT. Not on this contract.

Mr. EDGERTON. You have to ask GSA that.

Ms. WATSON. OK. Because, you know, we are hearing about a particular contract was given, it wasn't bidded on, you know, and I'm just wondering what the connection is with GSA. Anybody from GSA want to respond? OK. I'm not going to put you on the spot.

Chairman TOM DAVIS. I think some of this may be anecdotal. And so you need to run it down on this. These folks deal with it every day. There's always somebody who doesn't get something. We tend to operate a lot by anecdote here. I think she's trying to get to that.

Ms. WATSON. Yes. So I will just stop there. Thank you, Mr. Chairman.

Chairman TOM DAVIS. Ms. Watson, thank you very much.

I've got a few more questions, if you can just indulge me. From an industry perspective, how do we ensure participation of small and disadvantaged businesses in the Networx program?

Mr. SCOTT. Well, a lot of the small business—a lot of it comes out of the applications software development. They do very well, and they probably lead the industries into development of innovative new software. And so if Networx is pushed toward more appli-

cations, you'd get more participation in the program by small businesses.

Mr. HOGGE. As part of delivering the services that are mandatory under either the Universal or the Enterprise contracts—and there are lots of bits and pieces that have traditionally fallen to small disadvantaged businesses historically either as specified percentages or as goals and objectives in that regard work quite well. In my experience, and previous programs.

Chairman DAVIS. But I mean just let me ask you all, if you're going to do that—and I'm not advocating you do or don't do, because my philosophy is that on procurements we ought to let the value for the taxpayer be the driving force, not making sure it's spread around that everybody gets a little piece of it. I mean I think when you start doing those other things in the procurement system, it just raises your cost, so it just creates inefficiencies. But if you're going to do that, I mean, we're realistic here. I think there'll be a component of that in most of this. Are you better off letting your primes pick it and decide and be the integrators, or are you better off letting the government—I mean, how would you—anybody have any thoughts on that?

Mr. COLLET. Well, I think the prime contractor should select its teaming partners. There's a lot of technology that needs to be brought to bear on this deal. And small businesses can be a very important part of that. I think there's a natural synergy between the large companies and the small ones. Given the scope and requirements of FTS networks today, even just under FTS crossover and our day-to-day business at AT&T, we use a large number of small contractors. And it's for a selfish reason: They bring innovation and flexibility to the team that we might not have otherwise.

Ms. MURPHY. I would agree. I think the primes should select their subs. And if you look at the way GSA has defined the mandatory services under Universal and the optional services under Enterprise, there are some areas that are a natural fit for small business partners.

Chairman TOM DAVIS. The revised strategy mentions an increased role for the Federal Supply Schedules, which I think makes a lot of sense. But how would you suggest GSA implement the used schedules within the program? Anybody have any thoughts on that.

Mr. COLLET. Well I think there are two elements in the supply schedule that would need to be modified. First is, I think contractors can change their prices every year, so that might be an issue that needs to be addressed here. And there are also some difficulties associated with how you stitch together end-to-end solutions. So maybe the multiple awards schedule, rules of engagements, need to be changed a little bit to address telecommunications.

Chairman TOM DAVIS. OK.

Mr. COLLET. But it should be doable.

Chairman TOM DAVIS. Anybody else want to add anything?

Ms. MURPHY. The way we've thought about it from a schedules perspective is that can be a very efficient way for agencies to acquire what we often refer to as stems and ends of their networks. You know, the broad——

Chairman TOM DAVIS. We call them bells and whistles, whatever.

Ms. MURPHY. Yeah and the broad-brush Enterprise core of an agency's network backbone is probably going to be procured through Universal. It is going to have to be designed. It's got very stringent specifications. But as that network changes or needs to be added to over time, schedules become a very efficient way to do those add-ons.

Chairman TOM DAVIS. It can be an entry point for people who couldn't get in otherwise—new companies, startup small companies.

Ms. MURPHY. Absolutely.

Mr. SCOTT. That's very compatible with a solution base, because the commodity services that are available on the schedule could then be assembled into a solution by some solution provider.

Chairman TOM DAVIS. Mr. Scott, let me ask, does the change in strategy make the Networx acquisition more attractive to integrators?

Mr. SCOTT. It is more attractive, but it's my estimation at this point in time that we cannot compete effectively on it as currently structured.

Chairman TOM DAVIS. OK.

Mr. SCOTT. There are not enough solutions yet and not enough applications, not enough of the stuff that we do.

Chairman TOM DAVIS. And if other agencies start setting up their own systems, would this be even less attractive?

Mr. SCOTT. We'll go try to win them.

Chairman TOM DAVIS. OK. But that would be one at a time and—OK.

Mr. SCOTT. Yes. And that's what I was suggesting we ought to stop doing here.

Chairman TOM DAVIS. Mr. Hogge, you note that Networx, to be successful, should be effective through the life of the program, the competition should be effective through the life of the program, which I agree with.

Any other specific suggestions you want to make just in terms of how we can accomplish this?

Mr. HOGGE. Well, I think you heard from a couple of the panelists, including me, as we look at this opportunity and try to understand what sort of business opportunity it represents for us, and that's a part of the catalyst for the competitive process. So having some level of certainty, understanding what the business commitment will be, is a key element from our perspective as a nonincumbent contender here.

The argument was made by a couple of the other panelists who sit in different positions in the current program, and I think that the two things, business commitment and understanding how the competitive process will work, both at the initial contracting period and over the life of the program, are keys to competitiveness.

Chairman TOM DAVIS. OK. You suggest that GSA has yet to address fully the issue of specifying a minimum business commitment, or what you call the MRG. The new strategy does say that MRGs will be smaller than under FTS 2001, which I would agree with, just looking back historically. Are you saying you disagree with the concept of the smaller MRGs, or do you have any sugges-

tions for a minimum MRG level for the Universal and the Enterprise?

Mr. HOGGE. Well, smaller is a relative term. So we are trying to understand. There is a threshold on both sides that makes sense; that, No. 1, leverages the government's buying power and is roughly equivalent to what happens on the commercial side with minimum commitments and minimum contract commitments that occur.

Chairman TOM DAVIS. Before you gear up, you want to make sure you're going to be able to——

Mr. HOGGE. Exactly.

Chairman TOM DAVIS. OK. I think it's fair.

Mr. Collet, you indicated that the changes made since the issuance of the RFI are positive. What changes do you think were the most helpful?

Mr. COLLET. I'm sorry. What changes——

Chairman TOM DAVIS. You indicated that changes, that the changes made, such the issuance of the request for information, were positive. What particular changes were most helpful?

Mr. COLLET. OK. I would say the changes that were helpful were in the area of billing. Originally the government had a requirement for roughly 500 elements, and that's been reduced by 62 percent, so we are very much capable of meeting those requirements and doing so very cost effectively. That was the most key area.

Chairman TOM DAVIS. OK. And let me just ask Mr. Edgerton, what's your position on the contract term for Networx, including base and option years? Do you have a thought on that, the way it's being structured?

Mr. EDGERTON. We're satisfied with the way it is. The 5-year base and the option year make you do the right thing as you go through the process of the contract.

Chairman TOM DAVIS. And I asked this of the GAO testifier in the previous panel, and you've had an extensive experience in this. Under the prior program, do you think that we reached the bottom in terms of prices, and what's your expectation for changes in unit prices for service to be acquired in Networx over the length of that contract? Have any idea or you think it's still just too dynamic?

Mr. EDGERTON. We've squeezed our lemon pretty tight.

Chairman TOM DAVIS. That's well scripted.

Mr. EDGERTON. That's better than the sour apples. This whole business now is all about what can you do and how can you more efficiently. We have a transition going in the industry to IP platforms that require investment. We're doing that against an uncertain revenue base, uncertain regulatory environment, and certainly the issues relative to consolidation in the industry. So our focus has been to move with the IP platform to focus on Enterprise solutions and continue to drive the prices out. We still have the access cost piece, which is our significant cost. But we have done and continue to do what's necessary.

I would certainly hope that the prices are at the lowest level. GSA would probably have a different view of that. But I think as we make the additional investments in the network and we increase our reach in the access area and use alternative methods of

access, then there is the possibility of additional savings to the government.

Chairman TOM DAVIS. Thank you. Is there anything else anybody wants to add on top of what anybody else has said, or any questions that we've gotten here before we close the hearing?

Mr. COLLET. I'd just like to add one point about the issue of convergence. You know, when we are looking forward, we're probably going to see a great deal of technological churn during the next few years and the benefits to the government should be absolutely fantastic in terms of moving business logic functions and capabilities off stovepipe IT systems onto the Web. But doing that is going to be challenging.

There's a lot that needs to be done at the network-centric Enterprises services layer, and then at the transport layer beneath that. We're probably looking at a 5 to 10-year story, rather than just having everything ready by 2007.

And one of the things we—well, there's lots that we like about the acquisition strategy, but a key aspect of that is if it bundles enough IT and network components so that we'll have a fighting chance of making it all work and providing the government the best service that they can possibly set. So keeping it together is important. But keeping the scope where it is is very important. And I think industry could deliver those tools and processes that will help the agencies go to the next level.

Chairman TOM DAVIS. Good. Well let me just say we appreciate everybody's interest. Did you want to add anything?

Mr. SCOTT. I had one more comment. If GSA sees fit to move forward pretty much on the course they're on, I would encourage them to leave great flexibility over the life of this contract for the entry of new services and new providers. We're going to see a time of very very great change, and GSA needs to be positioned to accommodate that or the agencies will leave them.

Chairman TOM DAVIS. OK. Well thank you very much. I think this has been helpful to us. I think it has probably been helpful to GSA as we continue to formulate it, and obviously this committee will continue to stay on top of this procurement as it moves forward.

Thank you very much and the hearing is adjourned.

[Whereupon, at 11:55 a.m., the committee was adjourned.]

[The prepared statements of Hon. Henry A. Waxman, Hon. Paul E. Kanjorski, and Hon. Elijah E. Cummings follow:]

Statement of
Rep. Henry A. Waxman, Ranking Minority Member
Committee on Government Reform
Hearing on
"Making Networx Work: An Examination of GSA's Continuing Efforts to Create a Modern, Flexible and Affordable Government Wide Telecommunications Program"

September 15, 2004

Thank you Mr. Chairman. I'm pleased to join you today to assess the Administration's continuing plans on how to purchase telecommunications services for the federal government when the current FTS 2001 contracts expire. As you know, this Committee has historically played a role in the development of the acquisition strategy for the federal government's telecommunications needs, and I look forward to working with you, the Administration, and the private sector to ensure that the federal government continues to receive the best price and highest quality service to meet those needs.

The Federal Telecommunications Service at GSA has administered the current federal telecommunications program – FTS 2001 – and its predecessor, FTS 2000. While not totally without problems, the program has largely been a success. The federal government pays between 1.5 and 2 cents per minute for long distance service, well below the best commercial rate. Over its lifetime, the program has saved the American taxpayer close to two billion dollars by adhering to two critical principals – leveraging federal buying power and encouraging continuous competition. As I said at our last hearing on this contract, I believe any future acquisition should retain these critical features.

GSA issued a Request for Information last October that provided the outlines of an acquisition strategy for the new program and subsequently received comments from a wide cross-section of government and industry. Last month GSA announced a revised acquisition strategy that takes into account many of the comments. The announced changes include revising the geographic coverage required of offerors, streamlining the government's billing requirements, and eliminating a nine-month delay between the two major contracts that will be competed. I look forward to a thorough examination of these changes at today's hearing.

Thank you Mr. Chairman, and I look forward to hearing from our witnesses.

STATEMENT OF
CONGRESSMAN PAUL E. KANJORSKI

COMMITTEE ON GOVERNMENT REFORM

MARKUP OF HOUSE CONCURRENT RESOLUTION 461

WEDNESDAY, SEPTEMBER 15, 2004

Thank you Chairman Davis and Ranking Member Waxman, I appreciate the opportunity to offer my thoughts about House Concurrent Resolution 461, which I helped to introduce with my colleague Congresswoman Judy Biggert. House Concurrent Resolution 461 would designate September as National Life Insurance Awareness Month.

Life insurance is a financial planning tool that all families should explore. It can provide security in the event of an untimely death. In families where a premature death occurs, surviving family members are often required to work additional jobs or longer hours, borrow money, withdraw money from savings and investment accounts, and, in too many cases, move to smaller, less expensive housing.

By designating September as National Life Insurance Awareness Month, we will hopefully highlight the importance of this financial instrument for the nearly 50 million Americans who presently lack the life insurance coverage needed to meet the long-term financial needs of their families.

In closing, I urge my colleagues to support this important resolution to promote financial literacy, and I yield back the balance of my time.

Statement of Congressman Elijah E. Cummings
House Government Reform Committee
"Making Networx Work: An Examination of GSA's Continuing Efforts to Create a Modern, Flexible and Affordable Governmentwide Telecommunications Program"
September 15, 2004 at 10:00 a.m.
2154 Rayburn house Office Building

Thank you, Mr. Chairman for holding this hearing to once more revisit our discussion of Networx, which will replace the current federal telecommunications contracts for long distance and data services, FTS 2001, when they expire in 2006. The hearing held on February 26, 2004, "Will 'Networx' Work? A Review of Whether a Centralized Government Telecom Plan Jibes with an Ever-Evolving Market," afforded the committee the opportunity to explore whether the General Services Administration's (GSA) proposed acquisition strategy would serve as the best solution in our current technologically advanced society. The hearing fleshed out and raised many important issues prompting the GSA to revise its acquisition strategy.

Today's hearing will give us the opportunity to learn about the new strategy and assess GSA's ability to incorporate feedback from industry, agency customers, and this Committee, into the new strategy, to make it the best possible program for ensuring an effective, affordable, up-to-date, and

competitive government telecommunications program. With our current telecommunications program, FTS 2001 set to expire in 2006, it is important that we are able to implement the newly proposed program in a timely manner and with as little setbacks as possible. It must be evident that the GSA has a clear plan for transitioning from the FTS 2001 to Networx, a comprehensive billing procedures, as well as, the overall ability to execute the new strategy.

In the Request for Information (RFI) originally requested by the GSA on October 17, 2003, the stated goals of Networx were, "to assure continuity of services, achieve best value by leveraging the government's buying power to obtain the lowest possible prices while maintaining quality, provide access to a broader range of services than currently available, and provide expanded opportunities for small businesses." This hearing gives us an opportunity to determine whether the newly revised Networx acquisition strategy does in fact accomplish these goals, and whether it must be adapted to further meet the concerns of all stakeholders involved.

I understand that several of my initial concerns have been effectively addressed in the new strategy. These include: elimination of the nine-month

phase in period between the Universal and the Select, now known as Enterprise, procurement; the program's ability to offer cutting edge technologies by companies that do not necessarily have the geographic coverage required for the Universal program; as well as the elimination of unnecessary government-unique billing requirements. I am pleased that GSA has revised these features in the new acquisition strategy. I look forward to hearing from our witnesses of any other measures taken to ensure the effectiveness of Networx, as well as any additional changes that may need to be considered.

Thank you, Mr. Chairman for holding today's hearing.

I yield back the balance of my time.

Government Systems Division

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September 24, 2004

Chairman Tom Davis
Committee on Government Reform
2157 Rayburn House Office Building
Washington, D.C. 20515-4611

RE: GSA Networx Program Strategy

Dear Chairman Davis:

Thank you for this opportunity to provide input to the Committee on GSA's Networx strategy. Sprint, as an FTS provider since 1988, has a significant interest in the design, award and implementation of a successful Networx program.

First, let me voice my support of GSA's effort to develop the Networx program strategy. GSA's focus on service continuity, quality, performance, small business participation, transition assistance and general customer agency "friendliness" is to be lauded. Sprint would like to especially applaud GSA's efforts to work with the vendor community to develop an efficient and effective program. This continues the spirit of partnership that has been the hallmark of the Sprint-GSA relationship.

At this stage of development of the procurement, Sprint has questions on the structure, contract interrelationship and make-up of GSA's Universal and Enterprise procurement strategy. Right now, our input to both the Committee and GSA can only be of a general nature. Sprint will be in a position to provide detailed comments on the procurement strategy after some of our fundamental questions are answered. We hope that once GSA releases the Draft RFP, now scheduled for November 2004, most of those questions will be answered.

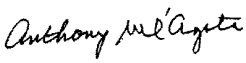
For example, of vital concern to Sprint's strategy for pursuit of Networx is how GSA will structure the post-award administration of the Universal and Enterprise contracts. Will both the Universal and Enterprise awardees compete against each other for the placement of the same task orders? The answer to this question is critical in determining Sprint's competitive position in the Program.

Of equal importance, is the manner in which GSA will construct the contracts to assure post-award competitiveness of the Universal and Enterprise contract vehicles. The two most important components to contract competitiveness are price, including applicable administrative fees, and flexibility to meet the complex customized telecommunications requirements of customers. This issue becomes more critical because GSA has stated that neither contract will have a significant minimum revenue guarantee. The value of an award to a participant is, therefore, directly related to the ability of the contract to efficiently and effectively meet the needs of its customer agencies. Flexibility can only be assured if the contract is able to nimbly offer technologically innovative solutions. The marketplace simply will not support an expensive and obsolete vehicle. It is not yet known how the Universal and Enterprise contracts will be structured to assure that they will be able to efficiently offer innovative solutions throughout their terms.

Similarly, Sprint is concerned that the CLIN-based pricing structure, without the ability of the agencies to purchase hardware or professional services from the same contract vehicle, may not meet the future needs of the agencies who are seeking enterprise-wide solutions. Just as total data solutions replaced simple voice services and private lines under the previous FTS contracts, total solutions, to include the integration of wire-line and wireless services into "mobility" based total solutions, will be demanded by the customer agencies. Neither contract should be structured so that the awardee only has the opportunity to offer commodity-like services to the Government. It is yet to be seen how Networx will handle this challenge.

In closing, I would again like to commend GSA for their efforts and for working so closely with the vendor community at each step of the development of the Networx procurement strategy. Once the Draft RFP is issued and answers to these questions are provided, we look forward to working with the Committee and GSA to assure the success of the Networx Program.

Sincerely,



cc: Sandy Bates

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