

**RUNNING OUT OF TIME: TELECOMMUNICATIONS
TRANSITION DELAYS WASTING MILLIONS OF
FEDERAL DOLLARS**

HEARING

BEFORE THE

**COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM**

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

MAY 20, 2010

Serial No. 111-100

Printed for the use of the Committee on Oversight and Government Reform



Available via the World Wide Web: <http://www.gpoaccess.gov/congress/index.html>
<http://www.house.gov/reform>

U.S. GOVERNMENT PRINTING OFFICE

63-039 PDF

WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
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RUNNING OUT OF TIME: TELECOMMUNICATIONS TRANSITION DELAYS WASTING MILLIONS OF FEDERAL DOLLARS

THURSDAY, MAY 20, 2010

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

The committee met, pursuant to notice, at 9:03 a.m. in room 2154, Rayburn House Office Building, Hon. Edolphus Towns (chairman of the committee) presiding.

Present: Representatives Towns, Cummings, Kucinich, Watson, Connolly, Cuellar, Issa, and Luetkemeyer.

Staff present: John Arlington, chief counsel—investigations; Lisa Cody, investigator; Adam Hodge, deputy press secretary; Carla Hultberg, chief clerk; Marc Johnson and Ophelia Rivas, assistant clerks; Amy Miller, special assistant; Steven Rangel, senior counsel; Christopher Sanders, professional staff member, Leneal Scott, IT specialist; Ron Stroman, staff director; Lawrence Brady, minority staff director; John Cuaderes, minority deputy staff director; Rob Borden, minority general counsel; Adam Fromm, minority chief clerk and Member liaison; Stephen Castor, minority senior counsel; and Ashley Callen, minority counsel.

Chairman TOWNS. Good morning. Thank you for being here today.

This hearing is, of course, on Running Out of Time. The purpose of today's hearing is to examine the Federal Government's delay in implementing Networx, a Government-wide program for procurement of telecommunications service for Federal agencies at substantial cost savings. The theory behind Networx is a good one. The Federal Government ought to be able to use the enormous bargaining power to obtain telecom services at a very substantial cost savings. That was the reason the General Services Administration negotiated the Networx contracts on behalf of Federal agencies.

By all accounts, GSA negotiated a pretty good deal, but the best deal in the world won't do us any good if the Federal agencies don't implement it by transferring their telecom systems to Networx contracts. This is not a small matter. GSA reports that for every month the transition is delayed, the Government is losing approximately \$22.4 million in unrealized savings. By that estimate, when factoring in previous losses, we may lose between \$300 million to a half billion dollars in unrealized cost savings by next year.

More importantly, when I say we, in this case we are talking about the taxpayers. This is simply unacceptable.

This is not the first time we have looked at this issue. The committee held two hearings, one in 2004 largely focused on planning and strategy aspects of the program, and another hearing in 2005 to address GSA revised strategy for Networx. In 2005 we were concerned about the sluggish roll-out of Networx. Five years later concern is an understatement. If there is a red flag that has yet to be thrown, I want you to know that I am throwing it today.

The transition to Networx hasn't really gone on forever; it just feels like it. We are now in the ridiculous position of being 3 years into a 10-year contract that we have not even implemented. What good are the cost savings if we don't take advantage of them? It just doesn't make sense.

Today I want to get a better understanding of just what is delaying the transition to Networx and what will be done about it. I also want to look close at the issue of small business, women, and minority subcontracting. The Networx program sets very specific goals for small business and minority participation. The five major networks contractors, AT&T, Level 3, Qwest, Sprint, and Verizon, were required to submit small business and minority contracting plans. After reviewing the plans, I am concerned that the quality of the subcontracting plans varies significantly, and I want to make sure GSA has the information necessary to hold the contractors accountable for their subcontracting plans.

All of these parties should know that I take this issue very seriously, and I want to make sure that contractors maximize their efforts to meet their goals. I want to know that specifically it is being done to improve small business and minority participation in the program.

Testifying today are the two key Federal stakeholders involved in the Networx transition, and, of course, GSA, which is responsible for overseeing the Networx program, and the Inter-Agency Management Council, which is involved in implementation. We also have the five Networx contractors.

Unfortunately, we don't have anyone from the Office of Management and Budget. OMB's absence is unfortunate, because I think OMB's leadership will be a key factor in expediting the transition to Networx. I am genuinely disappointed that they chose not to participate today.

Nonetheless, I look forward to a thorough examination of the Networx transition and I want to thank our witnesses for appearing today, and I look forward to hearing their testimony.

[The prepared statement of Hon. Edolphus Towns follows:]



HOUSE COMMITTEE ON
OVERSIGHT & GOVERNMENT REFORM

**OPENING STATEMENT OF
CHAIRMAN EDOLPHUS TOWNS**

Hearing: "Running out of Time: Telecommunications
Transition Delays Wasting Millions of Federal Dollars"

May 20, 2010

Good morning. Thank you all for being here today.

The purpose of today's hearing is to examine the Federal Government's delay in implementing Networx, a government-wide program for the procurement of telecommunications service for Federal agencies at substantial cost savings.

The theory behind Networx is a good one: the Federal government ought to be able to use its enormous bargaining power to obtain telecom services at a very substantial cost savings. That was the reason the General Services

Administration negotiated the Networx contracts on behalf of Federal agencies.

By all accounts, GSA negotiated a pretty good deal. But the best deal in the world won't do us any good if the Federal agencies don't implement it by transferring their telecom systems to the Networx contracts.

This is not a small matter. GSA reports that for every month the transition is delayed, the Government is losing approximately \$22.4 million in unrealized savings. By that estimate, when factoring in previous losses, we may lose between \$300 million to a half-billion dollars in unrealized cost savings by next year!

More importantly, when I say "we" in this case, I mean the taxpayers. This is simply unacceptable.

This is not the first time we have looked at this issue. The Committee held two hearings in 2004 on Networx, largely focused on planning and strategy aspects of the program; and another hearing in 2005, to address GSA's revised strategy for Networx.

In 2005, we were concerned about the sluggish rollout of Networkx. Five years later, “concerned” is an understatement. If there’s a red flag that has yet to be thrown, I’m throwing it.

The transition to Networkx hasn’t really gone on forever – it just feels like it. We are now in the ridiculous position of being three years into a 10-year contract that we haven’t even implemented. What good are the cost savings if we don’t take advantage of them?

Today I want to get a better understanding of just what is delaying the transition to Networkx and what will be done about it.

I also want to look closely at the issue of small business women, minority subcontracting. The Networkx program sets very specific goals for small business and minority participation. The five major Networkx contractors – AT&T, Level 3, Qwest, Sprint, and Verizon – were required to submit small business and minority subcontracting plans.

After reviewing the plans, I am concerned that the quality of the subcontracting plans vary significantly, and I want to make sure GSA has the information necessary to hold the contractors accountable for their subcontracting plans.

All of the parties should know that I take this issue very seriously, and I want to make sure that contractors maximize their efforts to meet their goals. I want to know what specifically is being done to improve small business and minority participation in the program.

Testifying today are two key Federal stakeholders involved in the Networkx transition: GSA, which is responsible for overseeing the Networkx program, and the Interagency Management Council, which is involved in implementation. We also have the five Networkx contractors.

Unfortunately, we don't have anyone from the Office of Management and Budget. OMB's absence is unfortunate, because I think OMB's leadership will be a key factor in expediting the transition to Networkx. I'm genuinely disappointed that they chose not to participate today.

Nonetheless, I look forward to a thorough examination of the Networx transition. I want to thank our witnesses for appearing here today, and I look forward to hearing their testimony.

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Chairman TOWNS. Now I yield 5 minutes to the ranking member of the committee, the gentleman from California, Congressman Issa.

Mr. ISSA. Thank you, Mr. Chairman. And thank you for holding yet another hearing on the loss of savings of Federal tax dollars as a result of the slow roll-out of Networx.

Mr. Chairman, like you, in 2007 I thought we were putting this behind us. Agencies faced with a choice of saving money or having better technology available to them, or both, undoubtedly would quickly implement these changes, but that has not been true. It is very clear that, in addition to losing \$18 million in savings each month in Federal agencies, that, in fact, the older technology versus newer technology opportunities are being squandered.

Mr. Chairman, as you said earlier, we have most but not all of the key players here today. The President of the United States is the Chief Executive Officer of this large corporation. We are ultimately the stockholders, representatives on the board, and the Office of Management and Budget effectively is the chief operating officer, or some might say a combination chief financial and chief operating officer for the Government. It is essential that there be someone responsible for Networx failure to be implemented, so I regret that we do not have all the stakeholders here today for that purpose.

Mr. Chairman, the taxpayers expect Government to be different than the private sector, but they don't expect Government to ignore the taxpayers' dollars as though they are not accountable to anyone. Not implementing new technology, not taking cost savings, even after they are negotiated using the leverage of our large purchasing power, is unconscionable. Although I expect to have some reasons for the delay explained to me today, they clearly will not be acceptable to this committee and they will not be acceptable to any watchdog for the Federal taxpayers.

This should be the last time we have to have a hearing showing us that, given a choice of doing nothing or doing something that will save the taxpayers money, agencies are continuing to do nothing.

It is also very clear that the last administration deserves both credit for the negotiation of a good contract and blame for the period of 2000 to their departure in 2009 for not having more done. So I would like to join with the chairman to explain that this is not a failure of the Obama administration. I don't even think it is a failure of the Bush administration. But it is yet another example where bureaucrats, unseen and seldom known by name, do not care about the taxpayers' money enough to save it.

Mr. Chairman, I would ask that all members of the committee have 5 legislative days in which to place their opening statements in the record and revise and extend.

[The prepared statement of Hon. Darrell E. Issa follows:]

EDOLPHUS TOWNS, NEW YORK
CHAIRMAN

DARRELL E. ISSA, CALIFORNIA
RANKING MINORITY MEMBER

ONE HUNDRED ELEVENTH CONGRESS
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Statement of Rep. Darrell Issa, Ranking Member

“Running out of Time: Telecommunications Transition Delays Wasting Millions of Federal Dollars.”

May 20, 2010

Thank you, Mr. Chairman, for holding today’s oversight hearing about the federal government’s apparent inability to keep pace with technology and save taxpayer dollars.

Currently, the government is losing approximately \$18 million in savings for each month that federal agencies delay in transitioning from the old telecommunications service contracts to the Network program umbrella. Whether because of bureaucratic inertia, administrative incompetence, or a backward technological culture in the federal government, these delays are inexcusable. The delays in migrating also deprive the federal agencies of better technology and security.

Mr. Chairman, as the American taxpayers grow more aware of waste in the federal government – waste that reduces the efficiency of government services and limits the productivity of government employees – they are looking to their elected representatives to find bipartisan solutions. Today, we have an opportunity to meet that challenge.

The strategic purpose of this committee is to provide an ongoing, rigorous and expansive check on the administrative state. We sit at the intersection of shared agency objectives. We serve as a watchdog for the taxpayers’ interests.

Today, we are going to hear reasons why the federal government has been slow to implement commonsense cost-saving measures in our telecommunications procurement process. We are going to examine why the benefits of market competition have not been fully realized in the government’s stewardship of taxpayer resources. And we are going to ask straightforward questions designed to get beyond finger-pointing to problem-solving.

If there has been a problem with government policy, we must consider policy changes. If there has been a conflict in administrative purposes, we must establish proper channels to resolve it. If there has been evidence of careless management or bureaucratic obstructionism, we must address it.

*Statement of Rep. Darrell Issa, Ranking Member
May 20, 2010
Page 2*

Whatever the case, we must be very clear.

The United States Congress, and this committee, do not serve to protect the interests of federal agencies who have grown to expect lax oversight, legislative sluggishness, and an endless appropriation of taxpayer dollars. Rather, we serve to protect the interests of taxpayers, who will not long tolerate the kind of delays that we are examining today.

I look forward to hearing from today's witnesses and to facilitating a more expeditious and efficient implementation of enhanced technology and security as well as cost-saving measures across the federal government.

Chairman TOWNS. Thank you very much for your statement.

Let me indicate that we have to stop at 11 a.m. sharp, of course, because we have a joint session and we have to shut down, and we will not want to hold you until after the joint session and then come back, so we hope to try to finish before so that everybody can sort of move on with their day.

Mr. ISSA. Mr. Chairman, I would suspect that if we asked leadership, if either of the witnesses would like to attend the joint session we could arrange for that during their testimony today. If they would indicate that they could remain, we would see if we couldn't get tickets based on their schedule.

Chairman TOWNS. But they would have to return 15 minutes after the session is over.

Mr. ISSA. No, no. I am only saying that for the 2-hours we are going to take, Mr. Chairman, we perhaps could allow them to be there for the joint session. No, no intent to ask them to remain beyond that.

Chairman TOWNS. Thank you.

Let me just ask, first of all, we swear all of our witnesses in, of course, so we would like to ask you to stand and to raise your right hands.

[Witnesses sworn.]

Chairman TOWNS. Let the record reflect that the witnesses indicated that they answered in the affirmative.

We will now turn to our first witness, of course, Mr. Stephen Kempf, who is Acting Commissioner of GSA, Federal Acquisition Services. And our next witness, of course, is Mr. Bhagowalia, Inter-Agency Management Council.

Let the record reflect, of course, that they all answered affirmatively.

I ask each witness now to summarize his testimony in 5 minutes. The yellow light, as you know, means that you should wind up within a minute, and the red light means stop. The yellow light gives you an idea that the red is getting ready to come. That will allow us an opportunity to ask questions. Red means stop everywhere in the United States.

Thank you very much. Mr. Kempf, you may start.

**STATEMENTS OF STEVEN J. KEMPF, ACTING COMMISSIONER,
FEDERAL ACQUISITION SERVICE, U.S. GENERAL SERVICES
ADMINISTRATION; AND SANJEEV BHAGOWALIA, CHIEF IN-
FORMATION OFFICER, OFFICE OF THE SECRETARY, U.S. DE-
PARTMENT OF THE INTERIOR**

STATEMENT OF STEVEN J. KEMPF

Mr. KEMPF. Good morning, Chairman Towns, Ranking Member Issa, and members of the committee. My name is Steven Kempf. I am the Acting Commissioner of the Federal Acquisition Service within the General Services Administration.

I would like to thank you for the opportunity to provide the status of the ongoing transition of the Federal Government from the FTS 2001 contracts to the Networx program's suite of services contracts.

Networx is the third in a series of successful GSA contracts and the largest telecommunications program in Federal history. These contracts are an outstanding example of strategic sourcing concepts. Networx leverages the Federal Government's buying power to obtain the best value telecommunications services for all Government agencies. It is comprised of two acquisitions, Networx Universal and Networx Enterprise.

Networx significantly exceeds its two predecessor contracts in technical breadth, pricing sophistication, operational management, best business practices, and breadth of contractors. It offers five contractors for agencies to choose from on two separate acquisitions.

Transitioning from FTS 2001 to Networx is a complex and resource-intensive process, and agencies face numerous challenges, as reflected by the pace of transition. GSA measures the pace of transition by looking at services disconnected from FTS 2001. By May 2008, 1 year into the transition, the Government had transitioned less than 1 percent of the FTS 2001 services. One year later, we saw 16 percent of the transition completed. And as of today, 53 percent of FTS 2001 services have been disconnected.

GSA believes there are a number of reasons why the transition is progressing more slowly than expected.

First, as I have mentioned, the Networx contracts are complex. They contain a broad range of services and priced items, which require technical knowledge of network services. This complexity has made it difficult for agencies to understand the contract and to rapidly move forward with the transition.

Second, agencies have issued many more statements of work for agency-specific requirements than was envisioned by GSA or the Networx contractors. This has created an enormous amount of additional work for the agencies, GSA, and the Networx contractors, and has resulted in significant increase in the time for agencies to make fair opportunity decisions.

Additionally, in some cases sufficient inventory information was not available for the agencies to make fair opportunity decisions or to order services. Obtaining detailed inventory data is a labor- and time-intensive challenge that delayed some agencies in moving forward with the transition.

Further, some agencies would benefit from additional managers with expert technical skills and background in network services. At other agencies, the transition would benefit from added technical depth and contracting resources. This reflects the Government-wide shortage of acquisition professionals, of which this committee is well aware.

Contracting officers assigned to support the Networx transition require familiarity with Networx services' termination, Networx services' terms and conditions, and the roles and responsibilities under the contract. These contracting officers were also subject to protest provisions that were added by section 843 of the Defense Authorization Act in 2008. These provisions and the protests that ensued also added time to the Networx competitive process.

Last, another area of challenge has been the contractor ordering systems. Some agencies have experienced difficulties entering orders into the contractors' online ordering systems. As a result,

some agencies have had to rely on contractors to transcribe the ordering data into their systems, which can introduce yet another source of error and delay.

In response to these challenges, GSA developed and implemented a wide range of measures to help agencies accelerate their transition from FTS 2001 to Networx. The full extent of this assistance is included in my written testimony. I would like to highlight the fact that during the past year GSA has offered to provide any assistance to any agency which requires in completing the transition activities. In addition, GSA is providing direct assistance to all small agencies in an effort to virtually conduct the transition for the agency. We continue to be dedicated to doing anything possible to help agencies complete this effort.

Current indications of progress and reports to GSA demonstrate that agencies are now highly engaged and are doing everything possible to meet transition schedule deadlines. Through the help of this committee, OMB, and the involvement of senior agency executives, transition is well underway and will be completed.

The Government will benefit enormously from lower prices and the ability to procure better technical services.

Based on GAS's assessment of the progress of transition to date, GSA believes that most agencies will complete the transition by June 2011. Some large data networks that are still awaiting fair opportunity decisions may not be fully transitioned for 2 years or more. GSA will continue to do everything possible to maintain the current transition momentum and to assist agencies in transitioning as much service as quickly as possible to Networx contracts in an effort to realize maximum value from the Networx program.

Thank you for the opportunity to testify before the committee. I am happy to answer any questions you may have regarding the Networx program.

[The prepared statement of Mr. Kempf follows:]

STATEMENT OF
STEVEN J. KEMPF
ACTING COMMISSIONER
FEDERAL ACQUISITION SERVICE
U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE
COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

MAY 20, 2010



Good morning, Chairman Towns and Members of the Committee. Thank you for the opportunity to provide you the status of the on-going transition of the Federal Government from the FTS2001 contracts to the Networx Program's suite of network services contracts. It is a pleasure for us to discuss this extremely important program that provides vital telecommunications services to virtually every agency in the government.

My remarks today will provide some background on the program, describe the status of transition by answering your questions, and provide a summary and prediction for when we expect to complete the transition.

Transitioning the Federal Government's massive, mission-critical telecommunications and networking infrastructure from one contract to another is an inherently complex and time-consuming process. As an example of the complexity involved, the number of individual services delivered across the Government on the FTS2001 contracts exceeds 5.1 million; each one of these services must be transitioned off the contracts before they expire. The new Networx contracts to which these services will be transitioned contains approximately 7,400 technical, price, and management requirements that were developed with the Agencies to ensure continuity of mission operations and satisfaction of future needs. These requirements have resulted in 28 million contract line items on the eight Networx contracts, representing possible alternative choices for agencies in configuring new services as they move to the new contracts. The large increase of choices alone, suggests the possibility of a lengthier and more complex transition management process.

Networx is the 3rd in a series of successful GSA contracts and the largest telecommunications program in federal history. It is comprised of two acquisitions, Networx Universal and Networx Enterprise. Networx Universal provides Agencies access to contractor teams that could, as required by the Networx solicitation, satisfy all service requirements at all geographic locations served by FTS2001 contractors at the time the RFP was issued. Networx Enterprise required contractors to offer fewer services at lower prices within selected service categories at fewer locations. Networx significantly exceeds its two predecessor contracts (FTS2000 and FTS2001) in technical complexity, pricing sophistication, operational management, and best business practices. Further, Networx provides new technology services (e.g., optical transport, virtual private networks, network-centric applications, security suites) while supporting existing legacy systems.

The Networx Universal requirements were based on far more challenging needs for service and geographic continuity of service and the Networx Enterprise requirements were based on the need to include other viable contractors who could not meet the stringent requirements of Networx Universal. As a result the two contracts remain separate and distinct acquisitions, with different pricing,

even though the services that contractors can offer on the two acquisitions are the same.

GSA awarded FTS2001 Bridge contracts to the FTS2001 incumbents MCI, Sprint, AT&T and Qwest to ensure Government continuity of service until Agencies are able to transition services to the new Networx programs. The contracts expire in May and June 2010 (depending on the individual contractor), with an additional year of continuity of service to May and June 2011.

The FTS2001 and Networx programs are guided by the Interagency Management Council (IMC) representing the cabinet level agencies as well as the Small Agency Council. The IMC tackles cross-cutting issues and provides a consolidated voice of the customer. In 2003, the IMC formed a working group to focus on transition. This agency-led Transition Working Group (TWG) began meeting and planning for the Networx transition. It is active still today, with a focus on sharing lessons learned and best practices among Agencies as they work their way through transition.

Networx transition activity varied across agencies as the transition began and overall progress, as measured by disconnected services, was slow to start, as indicated by disconnects completed:

- One year into transition, May, 2008 0.8%
- One year and 6 months into transition, November, 2008: 4%
- Two years into transition, May, 2009 16%
- Two years and 6 months into Transition, November, 2009: 33%
- Three years into transition, May, 2010: 50%

While a lack of transition priority was evident across Government early in the transition, current measures of progress and agency reports to GSA and OMB indicate agencies are now highly engaged, are doing everything possible to meet transition schedule deadlines, and that transition progress is accelerating.

1. What is causing the continued delay in the transition to Networx?

From GSA's perspective, Agencies that are behind in their transition progress simply waited too long to get started. In order to successfully complete a large transition of network services, a highly coordinated approach to interagency program management must be initiated even before the contracts are awarded. This approach requires a detailed program management plan, senior agency commitment, interagency cooperation, commitment of agency resources, and technical and contracting managers knowledgeable about network services. If an agency does not start early, or has difficulty along the way, it is very difficult to make up lost time. The following challenges have impacted the ability of Agencies to meet the transition schedule:

Other Agency Priorities. The Networx transition was slow in capturing sufficient attention from senior management in some Agencies. However, the working-level transition managers have, from GSA's perspective, been focused on transition for several years.

Contract Complexity. The Networx program was designed by GSA and agencies to be broadly scoped to include all legacy and future network services that would be required by the government during the life of the program. In addition, the contract provides prices for all services that were currently being provided to agencies at the time that the requirements in the Request for Proposal (RFP) were established. As a result, and by design, the contracts are complex in that they contain a large number of services and priced items. In addition to the volume of prices and services, the Networx RFP was redesigned to make it "easier to use" and some FTS2001 services were renamed. Anyone familiar with the construct of FTS2001 contracts had to become familiar with a much larger, redesigned Networx contracts. This lack of familiarity created additional problems for agency managers as they tried to identify their current services in the Networx pricing tool, which required an in-depth understanding of the new Networx contracts.

Changes In the Regulatory Environment. Section 843 of the Defense Authorization Act of 2008 mandated enhanced Fair Opportunity requirements that have greatly slowed the Networx Fair Opportunity process. Specifically they:

- Established greater visibility of Fair Opportunity decisions on individual task orders over \$5M, including notice of requirements and evaluation factors, the relative importance of price and non-price factors, and a post-award debriefing. While these requirements were not new, the greater visibility created a more deliberate and time-consuming fair opportunity process.
- Established the ability for contractors to protest Fair Opportunity decisions over \$10M. Again, this caused Agencies to be much more cautious and deliberate in making Fair Opportunity decisions, thereby adding much more time to the process. In addition, the number of specific agency protests that occurred, particularly on very large agency task orders, caused a number of agencies to restart their entire contractor selection process.

Tailoring in lieu of standard Networx service offerings. The Networx contract was designed to allow agencies to make Fair Opportunity decisions based on an electronic database of contract services and prices, referred to as the Networx Pricer. This Pricer was designed to enable agencies to conduct fair opportunity decisions without the need to request a unique solution and a new set of prices for their individual services. To a greater extent than anticipated by GSA or Networx contractors, agencies determined they would be better served by issuing a tailored Statement of Work (SOW) to the Networx contractors in order

to receive a tailored response to their specific agency requirements. Overall, agencies' decision to use an SOW was based on the following factors:

- the possibility of getting better prices by competing their requirements separately,
- the belief by some contracting officers that if a single unpriced item existed in their grouping of competed services, an SOW was required, and
- the fact that some Agencies elected to change the standard Networx contract requirements, contract line items, deliverables, and Service Level Agreements (SLAs) to meet their specific agency preferences.

The large number of tailored SOWs has created an enormous amount of additional work for the Agencies, GSA and the Networx contractors, and resulted in a significant increase in the time for agencies to make fair opportunity decisions. A large SOW can increase the time for an agency to make a fair opportunity decision by as much as six months and can add as much as two additional months before the services are modified into the contract and can be ordered. In spite of the delay, many agencies believed this process to be of value since they were able to tailor services to their specific requirements, realize even lower prices by five to 10% and believed that by following this process they were better protected from a sustained protest.

Lack of Agency inventory. Many Agencies do not have adequate inventories of their FTS2001 services to make a fair opportunity decision or order service. GSA compiled a Transition Baseline Inventory (TBI) database during the 2005 to 2006 timeframe for the purpose of tracking services disconnected from FTS2001. This inventory was compiled from every possible source available, including billing records, inventories from contractors' provisioning systems, input from Agencies, and the FTS2001 location database. The TBI was constructed, with the input and oversight from the Transition Working Group (TWG), to contain a single record for each instance of a service that the TWG agreed was reasonable to use for tracking disconnects. TBI does not contain information related to the service, such as usage information, features, and points of contact that the agencies must have to make pricing assessments for Fair Opportunity decisions and to place Networx orders. Obtaining this more detailed inventory data, if not already available, is a labor and time-intensive challenge that has delayed some Agencies in making Fair Opportunity decisions and delayed Agencies in writing orders.

Lack of sufficient agency managers with adequate technical skills and background in network services contracting. The management of network services requires knowledgeable technical and contracting managers. Some agencies lack both the technical depth and contracting expertise to support the transition. While they can hire contractors to augment their technical staff, finding

qualified contracting officers is far more difficult. Contracting officers assigned to support the Networx transition often lack familiarity with network services terminology, terms and conditions, and roles and responsibilities. Their lack of familiarity requires a lengthy educational process and often leads to delays conducting fair opportunity decisions and in ordering service.

Contractor ordering systems have caused problems for some agencies. Some agencies have experienced difficulties entering orders into contractors' online ordering systems. As a result, some Agencies have had to rely on the contractors to transcribe the ordering data into their systems, introducing another source of delay and possible data entry error.

2. What problems exist in the Networx program's procurement process?

To conduct a successful transition, every agency must accomplish the following:

- Appoint a Transition Manager to oversee the agency's transition to Networx
- Validate inventory
- Conduct Fair Opportunity according to the Federal Acquisition Regulation (FAR) and any agency-specific regulations to select Networx service provider(s)
- Appoint a Designated Agency Representative (DAR) Administrator and DARs who are authorized to place orders on the Networx contracts
- Develop transition plans and provide a copy to GSA
- Submit transition orders directly to the selected Networx contractor(s)
- Disconnect the agency's FTS2001 services
- Track progress and reimbursements using GSA's tracking system as the definitive source of Government-wide status.

To date we can identify three problem areas experienced by agencies as they have taken on these activities to conduct their transition: (1) insufficient inventory data, (2) complexity of Networx offerings, and (3) challenges in completing the Fair Opportunity process.

Insufficient inventory data. In 2005-6 GSA compiled the Transition Baseline Inventory (TBI) of all services on FTS2001 based on every possible source available (billing records, inventories from incumbent contractors agency data, and the FTS2001 location database). This TBI database was created as a basis for tracking services disconnected from FTS2001, and while the database contains a single record for each instance of a service to be tracked for disconnect, it does not contain data needed to assess prices for Fair Opportunity decisions and place Networx orders (e.g., usage, features, etc.). Many agencies do not have comprehensive, accurate inventories of what they ordered on

FTS2001, and, therefore, have worked hard trying to collect and validate the data. This has been very time-consuming

Complexity of Network Offerings. The services on the Network contracts were designed to meet all the agencies' telecommunications and networking needs. This design has resulted in contracts that are complex to use. Agencies asked GSA to create contracts from which they could order everything they needed. This requirement lead GSA to define a large number of contract line items to capture every service and associated feature, usage plan, and piece of equipment. Nearly all of these line items have fixed prices on the contracts so that the Agencies can to order them without going through the SOW process. Yet the sheer volume of those line items makes ordering the services so complex that agencies have elected to use the SOW process and rely on the contractors' expertise to package the services correctly. Additional complications stem from the terminology for the Network contract line items that differs from the contract line items terminology on the FTS2001 contracts. Consequently, even if the agency had a solid FTS2001 inventory, mapping it to orders on Network is not straightforward.

Challenges in Completing the Fair Opportunity Process. As discussed earlier, the Fair Opportunity process has been problematic for the agencies' transition to Network. The contracts were constructed with the expectation that the agencies could make most Fair Opportunity decisions by comparing prices of the established, fixed-price line items. The intent under Network was that the SOW process would be used primarily for unique requirements for which there are not priced line items. Due to Agencies seeking requirements different than those on the negotiated contracts, they must make their Fair Opportunity decisions using the SOW process. Some Agencies were motivated to achieve better pricing by competing SOWs. The change in the regulatory environment further motivated Agencies to use the SOW process as the more conservative approach to making Fair Opportunity decisions without protest – for example, agencies believed that there might be greater risk of protest if there are un-priced line items in their requirements. The SOW method helps to alleviate that risk. Even without the added complexity of the SOW process, Fair Opportunity decisions require substantial involvement of agency Contracting Officers in all phases of the Fair Opportunity process. This comes at a time when there is a Government-wide shortage of warranted Contracting Officers, and the demands placed on them are increasing. As a result, some Agencies have added contracting to their transition team later than optimal.

3. What steps has GSA taken to assist in the transition effort and expedite the transition?

GSA developed and implemented a wide range of measures to help Agencies accelerate their transition from FTS2001 to Network. These include the following:

Early Planning and Implementation. In 2003, GSA initiated the TWG to begin planning for the Networx transition. Since that time, GSA has met continually with, and fully supported, the TWG and Transition Managers to address and resolve transition issues. One year ago GSA was designated to chair the TWG meetings and holds them monthly. The GSA-led TWG meetings are focused on tracking agency measures of transition progress and sharing transition lessons learned.

Establishment of a Transition Baseline Inventory. To assure service continuity from the expiring contracts, there must be an accurate, comprehensive, and current listing of all services and an effective method for tracking the transition. GSA has collected a comprehensive inventory and initially made it available to Agencies in January 2007 for their review and validation. Throughout that year, the agencies twice requested an extension of the time to complete the validation, and GSA activated an Inventory Assistance Team to provide one-on-one support for Agencies struggling with their inventory. In December 2007 the inventory of 4.1M records was validated and became the Transition Baseline Inventory (TBI). TBI is the single database of record for tracking and reporting disconnects across the Government and is used to validate reimbursement of transition costs. As such, it is maintained throughout transition. GSA continues to update the data regularly with data from the contractors and billing files, while the Agencies perform monthly checks to validate anything that has changed. Since the initial baseline, the inventory has grown to over 5M records. While this transition baseline inventory is critical to tracking the transition, it does not preclude the need for agencies to have a more comprehensive inventory for the conduct of fair opportunity and to write transition orders.

Extensive Agency Planning Guidance. GSA published a comprehensive Transition Strategy and Management Plan (TSMP) in April 2008 to inform agency personnel and contractors how GSA intended to monitor the transition and provide guidance and suggestions for Agencies to follow for managing a successful transition. The TSMP contains detailed and relevant information on the following:

- Lessons Learned
- Roles and Responsibilities
- Schedule
- Inventory
- Budgeting
- Transition Plans and Training Guidance
- Regional Services Transitions Guidance
- Agency Planning
- Transition Costs
- Transition Support Systems
- Staffing and Training

- Risk Analysis.

Establishment of a Transition Coordination Center (TCC). To implement GSA's TSMP, GSA established a Transition Coordination Center (TCC) in March 2007 to support the 11 GSA Regions, Agencies using FTS2001 services, FTS2001 contractors, and Networx contractors. The TCC provides guidance to help Agencies develop their transition plans and other documentation and responds to transition-related questions and issues. The TCC monitors all Agencies' transitions to provide a Government-wide view of the status and progress of transition, identify and resolve common issues and problems, and follows a mature Risk Management Program. The TCC provides reports and briefings on the status and progress of the Networx transition to GSA leadership, the TWG, the IMC, the Federal CIO Council, OMB, GAO, and Congressional committees. The TCC has produced resources for Agencies to use in planning and executing their transition, such as a sample transition management plan, cutover guides, templates, a help desk, and a robust training course for Agencies' Transition Managers.

Incorporation of Contract Service Level Agreements (SLAs). One of the significant lessons learned from the previous transition was that waiving contractual installation intervals led to transition delays. As a result, the Networx contracts require that during the transition from FTS2001 to Networx, all SLAs on the contracts will remain in effect. This change ensures that once agency orders are submitted, the contractor must provision the service within a contract prescribed time period.

Development of a Transition Cost Estimate and Reimbursement Process. GSA established a fund and a Taxonomy for use in administering the fund, along with an agency coordinated and documented process for reimbursing Agencies for transition costs. GSA ensured the Taxonomy allowed for reimbursement of transition costs when transforming or enhancing service and when selecting the incumbent contractor. We removed the requirement for like-for-like transition and revised the transition cost estimate to cover enhancements and equipment refresh when keeping with the same provider. Per agreement with the agencies, GSA reimburses agencies for installation costs and parallel operations for transition orders. agencies.

Because it is critical that Agencies transition with sufficient time before the expiration of the bridge contracts, GSA initially recommended Agencies meet the following targets:

- Complete majority of fair opportunity decisions by March 2008
- Submit majority of transition orders by January 2009
- Submit disconnect orders for FTS2001 services by January 2010.

Concurrently, the IMC set the following conditions for qualifying for transition reimbursement:

- Complete Fair Opportunity decisions for transition by September 30, 2008
- Submit transition orders with parallel operations by January 1, 2010
- Submit all transition orders by April 1, 2010.

While several Agencies met the first deadline, most did not; in fact, in August 2008 the IMC proposed to waive the requirement to complete Fair Opportunity decisions by September 30 in order to qualify for reimbursement of transition costs. As a result, GSA escalated the level of attention to the transition schedule; whereby, GSA's Assistant Commissioner for Integrated Technology Services notified each CIO directly that while the IMC agreed to waive the September 2008 deadline, GSA will continue to enforce the remaining deadlines as criteria for transition reimbursement. In March 2010, the IMC moved the deadline for all orders to qualify for reimbursement to August 31, 2010. GSA will continue to enforce this as the deadline.

Establishment of a Transition Information Portal. Transition Information Portal (TIP) is a web-based system and database of record for GSA and agencies to track all activities critical to transition, including agency ordering officials, contractor selections, orders in progress, and disconnects, both Government-wide and agency-specific. TIP data are updated weekly.

Conduct of Transition Training and Instruction. GSA has provided opportunities for agencies to get assistance with transition through training, workshops, and conferences. Some examples follow:

- Training at every annual Network Services Conference beginning in 2004
- Two Transition Summits, attended by 1000 agency personnel and service providers in September 2006 and February 2007
- Network Day for Federal CIOs in February 2010
- Transition Manager 101, 201, and 301 classroom-based instruction
- Pricer Training on demand
- Two Contracting Officer Workshops.

Communications and Awareness Campaign. In May 2004, the Commissioner of the GSA Federal Technology Service (FTS) and the Chairperson of the IMC co-wrote a letter to CIOs of the large Agencies (copies to CFO Council, OMB, Small Agency Council, IMC, and the TWG) reminding them of the expiration of the FTS2001 contracts in 2006 and urging them to get involved early in Network transition planning. In January 2005 the Assistant Commissioner for Service Delivery and Development (FTS) and the IMC Chairperson again wrote to the CIOs prompting their participation in transition. In September 2007, the GSA Assistant Commissioner for Integrated Technology Services, Federal Acquisition Service (FAS) sent letters to Agency CIOs to raise the level of awareness and request their personal attention and support of their Agencies' transition plan execution. In December 2008, the Assistant Commissioner for Integrated

Technology Services again sent letters to agency CIOs to raise the level of awareness and sense of urgency that the transition is "well behind schedule" and to request transition plans from the Agencies to aid in decisions to extend the deadlines for reimbursement. Since August 2007 GSA has published 13 Transition Bulletins to provide transition status information to appropriate stakeholders.

Expediting Contract Modifications. Early in transition, agencies complained that contract modifications were one of the most significant factors in delaying their transition orders. GSA and the Networkx contractors have worked diligently to reduce the average processing interval for contract modifications. We have been successful in driving the time down such that we complete 96.5% of modifications within 60 days, and the average time is only 18 days. GSA is not aware of any situations whereby the principal cause of an agencies lack of transition progress is due to delays in implementing contract modifications.

Providing Agency-Specific Support. GSA and customer agencies originally implemented a self-service strategy for transition; that is, Agencies would transition themselves. As such GSA did not plan nor budget for resources to assist individual Agencies directly. Inventory validation, Fair Opportunity decisions, and ordering were clearly identified as the responsibilities of the Agencies with guidance from GSA but no individual support. However, because these activities have become significant factors causing Agencies' transition delays, GSA recently implemented a comprehensive customer assistance program that provides agency-specific support, at GSA's expense, to enable transition to Networkx before the contract expirations in May and June 2011. Through GSA's Connections and Noblis contracts, GSA is currently providing direct support to: US Department of Agriculture, Department of Labor, Armed Forces Retirement Home, Small Business Administration, National Guard, National Aeronautics and Space Administration, International Trade Commission, International Board of Broadcasters, Office of Personnel Management, Federal Communications Commission, Department of Defense, Internal Revenue Service, and Veterans Affairs (planned). In addition, GSA created and implemented a project to move transition along for agencies that need even more assistance, particularly the very small agencies. Because these agencies don't have the dedicated resources to manage their own transitions, GSA works with them to design a customized solution for each. This project has successfully led nearly half of the target agencies to 100% completion, allowing them to realize the cost savings on the new contract.

Collecting Agencies' Transition Plans. GSA met individually with agencies' Transition Managers in Dec 2008-Jan 2009 to gather information on the agencies' transition plans that allowed GSA to better assess the risks of not meeting the schedule and provide a better estimate of the volume of work remaining. GSA provided this information to the Networkx contractors to help them allocate resources appropriately. In Feb-Mar 2010 GSA again contacted the large agencies and collected current plans for completing Fair Opportunity

decisions and placing orders; as previously, GSA intends to provide this information to the Networx contractors to assist them in meeting the demands of compressed transition activities.

Conducting Lessons Learned Analysis. Beginning in 2003, GSA and the agencies documented lessons learned from the previous transition from FTS2000 to FTS2001. The TWG analyzed, categorized, and prioritized 28 lessons learned, for which GSA developed a recommended solution. The TWG approved the publication of lessons learned in Aug 2005, and GSA incorporated them into our TSMP and Risk Management Plan. In June 2006 GAO audited GSA's approach to addressing lessons learned. Their findings were:

“FTS has addressed the majority of the lessons learned from the previous transition. Areas that have not yet been fully addressed are securing incumbent contractor cooperation and establishing guidance on inventory management and validation processes. FTS plans to address all remaining lessons prior to contract award. FTS has also provided agencies with guidance that fully reflects two of the five sound transition planning practices. However, guidance has not addressed all aspects of the remaining three, including establishing an inventory maintenance process, using key management processes, identifying measures of success, and performing transition-specific risk assessments.”

With the publication of the TSMP, GSA met all the open items from that GAO audit.

Implementing E-MORRIS. Enhanced Monthly Online Records and Reports of Information Technology Services (E-MORRIS) is an internal operational support system GSA uses to process inventory and billing information for Networx. It was imperative that E-MORRIS be in place to process the first invoices and inventory data for Networx transition, and GSA released the system into production in January 2007. This system is critical for newly transitioned services to be billed and provides the ability to capture inventory information on the Networx contracts.

Coordinating GSA Regional Services Transition. GSA operates over 600 consolidated switches/systems with over 1.6M lines in support of customer Agencies and GSA. The Transition Coordination Center (TCC) established and manages a 38-person, dedicated transition team distributed across the GSA Regional Offices and the TCC to ensure transition occurs effectively through these systems. Regional transitions have regularly outpaced the Government-wide average, with the current percentage of lines disconnected at 53%. The Regional team actively continues to reach out to the Agencies and provide assistance on their inventory reconciliations, hierarchy code assignments, order submission, and transition status.

4. What steps should federal Agencies, vendors, and other stakeholders take to expedite the transition to Networx?

GSA believes that the agencies are now fully engaged in the Networx transition process. In September 2009, the IMC elected the CIO of the Department of Interior, Sonny Bhagowalia, to be the Chairman of the IMC Executive Steering Committee. His active engagement with the IMC and the CIO Council has significantly raised the level of awareness and greatly emphasized the importance of the Networx transition. In addition, the active engagement of the Federal Chief Information Officer, Vivek Kundra, has raised the level of urgency and caused Federal CIOs to become personally involved in the Networx transition. He has directed that every CIO, whose transition progress is below established transition targets, meet with GSA and OMB to review their progress and to provide a plan to complete the transition in the time available. These meetings have focused on identifying and addressing agency-specific constraints which, to this point, have hindered transition progress. This heightened priority has created the agency focus and urgency necessary to expedite the transition.

In order for CIOs to translate their engagement into expedited transition progress, they must apply the necessary resources to accelerate completion of ongoing transition activities, to include:

- Making outstanding Fair Opportunity decisions. All remaining Fair Opportunity decisions must be made as soon as possible. While Fair Opportunity decisions can be made by using the SOW process or the Networx Pricer, there is no longer time for agencies to pursue the SOW process and complete the transition on time.
- Verifying inventories. Inventories must be known in order for services to be ordered. Since inventory validation is a time consuming process, additional support may be needed from within the agency or provided by GSA. Agencies who continue to have problems with their inventory should consider transitioning services in a like-for-like fashion and continue their inventory clean up after transition. Because Networx services are likely to be less expensive, this process, while less desirable, would still be a cost effective approach.
- Writing orders for transitioning services. Once an agency has chosen their Networx contractor(s) and is aware of their inventory requirements, they can submit orders in bulk to their contractor to expedite the ordering process. When placing transition orders, Agencies should (1) identify each order explicitly for transition to ensure proper tracking, reporting, and transition reimbursement, and (2) take advantage of Networx contractors training for designated agency Representatives, which is at no additional cost.

- Assisting contractors in verifying site information. Contractors must have accurate detailed information prior to actual service cutovers. Close agency involvement with contractors is necessary to work through these issues to expedite transition activities.

Networx and FTS2001 contractors have a significant role in the completion of transition and must continue to focus on several areas listed below.

Be Meticulous With Accuracy Of Order Entry. Agencies rely on the contractors to enter and process all orders accurately and timely. For transition orders, the burden is even greater because of service continuity and the financial impact of transition reimbursements. Orders with errors cause delay in transitioning the service and deny Agencies their reimbursements. Correcting errors after implementation is costly in many ways.

Refine Processes To Scale With Order Volumes. As the order volumes grow, the contractors must be able to keep pace. GSA and Agencies must provide advance planning information to the contractors to allow them to manage the increased workload as efficiently as possible.

5. What has been working well and are there ways that the federal government can further capitalize in those areas?

Executive Branch Senior Leadership. OMB, the CIO Council, the IMC's Executive Steering Committee, and senior GSA leadership, are all working well to move the transition forward. This involvement of senior leadership has given the working level managers the support and authority they need to get the job done. This must continue until transition is complete.

Open Agency GSA Dialogue. GSA and agencies maintain a close working relationship through the IMC, TWG and daily interaction in solving problems and escalating issues. This relationship is the heart of the Networx program and ensures that the contract provides the value that agencies demand of their mission critical network services. This open dialogue is critical to the ability of GSA to provide continuity of service until the completion of transition.

Engagement of the Agency Transition Working Group (TWG). The TWG, consisting of representatives of each of the larger agencies, began planning for transition, including tools and processes to support agency activities, 4 years before contract awards. The TWG began by reviewing lessons learned from the previous transition and documenting them into a set for use during this transition. GSA worked with the TWG to define requirements for tools to assist with transition, including a Government-only website for sharing transition information and systems for inventory, pricing, transition status tracking and reporting, and billing.

The TWG should continue to meet monthly, and agency representatives should become more active in sharing issues and lessons learned.

Networkx Inventory Process. When developing the Networkx strategy, GSA developed a solution for capturing the Networkx inventory. The Networkx inventory application records all services installed on the Networkx Universal and Enterprise contracts using the service order completion notices from the Networkx contractors. Agencies should continue to ensure the Networkx inventory is accurate.

Lessons Learned Collection and Dissemination. GSA has started collecting lessons learned from this transition. We have developed a database repository that allows for efficient analysis of the lessons learned and easy reporting. GSA provided the first report of lessons learned to the TWG in Jun 2009. We will continue to collect and analyze lessons learned and encourage Agencies to provide their input.

Network Systems. All major Networkx systems have worked well during the transition process. The Networkx Pricer is especially noteable. By making current year prices publicly available to all vendors, it has fostered price competition among the Networkx vendors and helped drive prices further downward. By using the Networkx Pricer to analyze each other's prices, vendors are able to offer more competitive price reductions to their agency customers.

Conclusion

The Networkx Program offers enormous cost savings over any other approach to providing network services to the Government. The value in consolidating requirements and leveraging the buying power of Agencies across the Government is irrefutable. Transition is complex and demands resources, but the alternative to procuring telecommunications by other methods would be far more costly. Through the help of this committee, OMB and the involvement of senior agency executives, transition is well underway and will be completed. The Government will benefit enormously from lower prices and the ability to procure more services, once this process is complete.

Based on GSA's assessment of the progress of the transition to date, GSA believes that most agencies will complete the transition by June of 2011; however, there is significant risk that some will not. Large data networks that are still awaiting Fair Opportunity decisions may not be transitioned for two years or more, necessitating follow-on sole source contracts to FTS2001 contractors. As a result, GSA is in the process of creating these sole source acquisitions that must be negotiated and awarded before continuity of service expires on current contracts in 2011. GSA will continue to do everything possible to maintain the current transition momentum and to assist agencies in transitioning as much service as quickly as possible to Networkx contracts in an effort to realize maximum value from the Networkx program.

Chairman TOWNS. Thank you very much, Mr. Kempf.
Mr. Bhagowalia.

STATEMENT OF SANJEEV BHAGOWALIA

Mr. BHAGOWALIA. Good morning, Chairman Towns, Ranking Member Issa, and members of the committee. I appreciate the opportunity to appear before you to discuss the Networx transition. My name is Sanjeev Bhagowalia, and I am also known as Sonny. I am the Chief Information Officer for the U.S. Department of the Interior.

I play two roles regarding the Networx program. First, as the DOI CIO I am responsible for leading the DOI's transition to Networx. Second, as of September 2009 I am the Chair of the Inter-Agency Management Council Executive Steering Committee, and I serve in an advisory capacity to GSA in the development, coordination, and oversight of the telecommunications program of the Government, including Networx. It is important to note that I am not the Chair of the IMC. The GSA Assistant Commissioner for Integrated Technology Services, Federal Acquisition Service, is the Chair of the IMC, as noted in the charter. If the Chair is not present at the IMC meeting, I support the meeting as the senior ranking Executive Steering Committee Chair.

I have chosen to highlight three reasons why there are some continued delays in Networx in my capacity as the Executive Steering Committee Chair. Networx is the largest telecommunications program in the history of the Federal Government. It is more varied and flexible than the FTS 2001 contract, with more than 7,000 requirements and 28 million line items, an increase of almost sixfold over FTS 2001.

Second, given the scope of the program and the many competing priorities that agencies are faced with, it is likely that many agencies were, and simply are, overwhelmed by the task at hand, which had slowed initial progress. But, thanks to the recent efforts of the IMC, the Executive Steering Committee, the GSA, OMB, and agency CIOs, Federal agencies are now highly engaged in the transition process, and progress is accelerating. We have achieved the 53 percent mark in the last 7 months.

Ironically, this acceleration is now impacting the ability of vendors to respond to the large volume of agency procurements. I have reviewed the GSA process and believe that GSA's overall procurement process and steps were clear and well laid out in the common process areas, although the tailoring part was too accommodating, adding complexity. In my analysis, I agree with GSA's assessment that there are three problem areas experienced by agencies to conduct their transition: insufficient inventory data, complexity of the Networx offerings, and challenges in the fair opportunity process.

As the Executive Steering Committee Chair, I have taken five steps to improve the effectiveness and efficiency of the program. I placed Networx on the agenda of the Federal CIO Council, and it has remained as a standing monthly agenda item on the CIO Council's agenda, with visibility and metrics. I focused considerable attention on ensuring that agencies' issues and voices regarding the Networx transition were brought to the attention of the IMC, the GSA management, and the Federal CIO.

I believe in the maxim “what gets measured gets done.” I champion the concept of more-detailed transparency in metrics, and now most of these metrics are available on the GSA Internet site.

I have helped establish the Networx data to provide senior Government executives, Networx transition managers, and key industry Networx service providers with an overview of the Networx contract and an urgency to completing this transition.

I have partnered with GSA and OMB in a relentless followup with each agency currently below the benchmark on a regular basis to verify process, assist with issue resolutions, and bring senior executive commitment to the CIO level to verify that resource allocation exists to get the job done.

I would like to highlight three steps vendors and other stakeholders can take to expedite the transition of Networx.

The single most important step is adopt a like-for-like transition approach. That focuses the transition on existing services through the Networx contract.

Second, agencies should have a solid handle on verifying the inventory of the FTS 2001 services, because an up-to-date inventory is critical to allow for like-to-like transition approach, and agencies should have dedicated resources, including a full-time contracting officer, to get the job done.

Vendors also need to adhere to a allocated time for proposal development. When vendors ask for extensions, this introduces delays into the aggressive transition schedules. In some cases this is due to inadequate statement of work specificity from the Government; in other cases it is also lack of preparation or inadequate specificity from vendor responses.

The Federal Government should capitalize on three things that have worked well. The biggest reason that the pace of the transition is accelerating is the new commitment of the senior leadership at GSA, OMB, and the agencies and the use of metrics in a trust but verify framework to verify that, indeed, we are making progress. This has been proven in the last 7 months, with an achievement of almost 37 percent improvement in the metrics.

An important tool that also supports transition inventory activities is the Networx inventory application tool developed by GSA. This tool is excellent. This tool allows GSA and agencies to audit inventory records throughout the duration of the contract, and agencies should use this tool to ensure the Networx inventory is complete and accurate.

Finally, the efforts of the IMC Transition Working Group has been invaluable. They help provide a wide variety of support for the overall programs and agencies’ defining requirements, helping transition guides, and creating guidelines for bureau transitions.

In conclusion, I am committed to supporting this initiative and will continue to collaborate with GSA, all agencies involved in the transition across Government. I welcome your support and attention to the program and I believe it is providing the needed focus and attention to all agencies to start expediting and energizing their commitment to getting the job done.

As I have described before, it is in the best interest of the Government to continue our momentum and finish the task at hand. We have just passed the 53 percent mark, thanks to our recent

focus. Now all the stakeholders need to remain committed and focused, which will save money for the taxpayers, as indicated by GSA and yourself, and utilize the other features and benefits of the 50 other services available on this program.

This concludes my testimony. I am happy to answer any questions that you may have.

[The prepared statement of Mr. Bhagowalia follows:]

STATEMENT OF SANJEEV (SONNY) BHAGOWALIA, CHIEF INFORMATION OFFICER, OFFICE OF THE SECRETARY, U.S. DEPARTMENT OF THE INTERIOR, BEFORE THE HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM, OVERSIGHT HEARING ON THE NETWORKX TRANSITION DELAY

May 20, 2010

INTRODUCTION

Good Morning, Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss the "Networkx" transition.

My name is Sanjeev Bhagowalia and I am also known as "Sonny". I am the Chief Information Officer (CIO) for the US Department of the Interior (DOI), where I also serve as the Chief Freedom of Information Act (FOIA) Officer and Senior Agency Official for Privacy (SAOP). I have almost 25 years of Industry and Government experience and expertise in Information Technology (IT), Information Resources Management (IRM) and executive leadership in diverse environments of large size, scope and complexity.

I play two roles regarding the "Networkx" Program:

- First, as the DOI CIO, I am responsible for leading DOI's transition to Networkx. DOI has a large, dispersed IT environment in approximately 2400 locations throughout the United States
- Second, as Chair of the Interagency Management Council (IMC) Executive Steering Committee (ESC), I serve in an advisory capacity to General Services Administration (GSA) in the development, coordination, and oversight of the telecommunications' programs of the Federal Government, including Networkx. As a member of the Federal CIO Council, I was requested to serve in this capacity to be a bridge between GSA and the Federal CIO community to bring a voice of the customer and improve the success of Networkx transition by the CIOs across Federal Government. In addition, we, the IMC ESC have partnered with GSA as a means for raising the visibility of Networkx services

across the Federal government CIO Community. I note also that I am not the Chair of the IMC. The GSA Assistant Commissioner for Integrated Technology Services, Federal Acquisition Service is the Chair of the IMC as noted in the Charter. If the Chair is not present at an IMC meeting, I support the meeting as the senior ranking IMC ESC chair.

I would also like to add that Office of Management and Budget (OMB) has been a great help in moving the transition forward based on the executive support received from the new Federal CIO and Administrator for E-Government and IT, OMB, Vivek Kundra, who is also the director of the Federal CIO Council. After hearing, in November, 2009, of this program's assessment, status and request for help, the Federal CIO immediately joined us to help. Our new collaborative executive commitment from GSA, IMC, IMC ESC, Federal CIO Council, combined with our collective focus on performance and results with a "trust but verify" framework of regular follow-up, has started to produce results. We have recently passed the historic half-way Networkx transition mark (50.4% metric) and are on a positive path to completion, although challenges remain. As public servants, we all remain committed to do our part to help this important national program realize immense savings across the Government and ensure taxpayer value.

1. What is causing the continued delay in the transition to Networkx?

As the overall agency responsible for the management of the program, GSA has indicated that there are seven reasons for the continued delay in the transition to Networkx:

- 1) Other Agency Priorities
- 2) Contract Complexity
- 3) Changes In the Regulatory Environment
- 4) Tailoring in lieu of standard Networkx service offerings
- 5) Lack of Agency inventory

- 6) Lack of sufficient Agency managers with adequate technical skills and background in network services contracting
- 7) Contractor ordering systems have been inadequate

I will defer to GSA's expertise in these matters but agree with their assessment. I have chosen to highlight three reasons why there are some continued delays in my capacity as IMC ESC Chair (as of September, 2009) and in my DOI CIO role:

- a) Size, Scope and Complexity of Contract: First, it is important to understand the size, scope and complexity of the Networx contract. There are more than 7,000 requirements that were identified by agencies that are now met by the Networx contract. The FTS2001 contract contains approximately 5 million line items, while the Networx contract contains over 28 million line items, or an increase of almost six-fold. Also, Networx is the largest telecommunications program in the history of the Federal government. The Networx contract is more varied and flexible than the FTS2001 contract with more tailoring options. This flexibility is necessary to address the convergence of telecommunications technologies, but it poses unique challenges to Agencies in utilizing the contract and more complexity means more delays.
- b) Other Agency Priorities and Executive Commitment: Given the scope of the program and the many competing priorities that agencies are faced with, it is likely that many agencies were and are simply overwhelmed by the task at hand, which slowed initial progress. Lack of executive commitment from the top is also contributing to focus on resource allocation, prioritization and delays. Please note, the recent involvement of the IMC ESC and Federal CIO Council and regular follow-up by OMB has started to ameliorate this issue with steady progress, which is yielding results
- c) The Bow Wave of Transition: However, thanks to the continued efforts of GSA, OMB and Agency CIOs, Federal agencies are now highly engaged in the transition process and progress appears to be accelerating. Ironically, this acceleration is now impacting the

ability of vendors to respond to that large volume of agency procurements that have recently been released and the transition process

2. What problems exist in the Networx program's procurement process?

Again, I have reviewed the GSA process and believe that GSA's overall procurement process and steps were clear and well laid out. This is despite the fact that they were trying to establish a "common standard process" across Government with additional "tailored process" available to any agency. In my analysis, I agree with GSA's assessment that there are three problem areas experienced by Agencies to conduct their transition: (1) insufficient inventory data, (2) complexity of Networx offerings, and (3) challenges in completing the Fair Opportunity process.

In my view as an agency CIO, the biggest challenge at an agency level has been that the procurement process is duplicative in nature and requires a lot of coordination within an agency and subsequent interaction with GSA, prior to award. GSA worked diligently to award the Networx contract to five telecommunication vendors. Yet agencies must expend resources and considerable time selecting a fair opportunity candidate. A simplified process that allows the agencies to pick a fair opportunity vendor that best suit their needs would have improved the efficiency of the process. Also, Agencies were provided procurement flexibility on a new Statement of Objectives (SOO) versus a proven Statement of Work (SOW) approach. Previous directions on SOO approaches in Government have proven to be hard to implement and lost time in evaluation and selection, whilst the "tried-and-true" proven SOW approach has been easier to compare vendors for award.

3. What steps have you, in your role as Chairman of the Interagency Management Council, taken to assist with the transition and expedite the transition?

As I have stated earlier, I am not the Chair of the IMC. In order to strengthen the ability of the IMC to assist with the Networx transition, the IMC's charter was revised in April 2009. This revision reflects the progression from telecommunications to information technology and network services and better aligns the IMC with the Federal CIO Council. The revised charter

also elevated the role of the IMC ESC and suggested the members be SES representing the agencies. The revised charter is included as part of this testimony. In July, 2009, I was installed as one of the five IMC ESC members, and in September, 2009, I was elected by the IMC to chair the IMC ESC and to support the IMC, when the GSA Chair is not present.

OMB issued Memorandum M-08-26 stating that all agencies are required to transition from FTS2001 to Networkx, and that new services must transition to Network unless a business case justifies otherwise. My review suggested that there was no framework for follow-up or verification, no Senior Executive Service (SES) participation on a regular basis at the GSA, Agency and OMB at the IMC meetings or process.

As the IMC ESC Chair, I immediately went to work focusing IMC attention on Networkx Transition progress with five steps to improve the effectiveness and efficiency of the program, to realize savings for taxpayers:

1. Senior Leadership and Executive Commitment: Within two days of being elected to chair the ESC, I was able to place Networkx on the agenda of the Federal CIO Council. Networkx has remained as a standing monthly agenda item on the CIO Council's agenda ever since with visibility and metrics for all agencies to be shown in plain sight in an open and transparent manner. I was instrumental in partnering with GSA, and the new Federal CIO, to get this effort underway
2. Balance between Customers and Providers: I also focused considerable attention on ensuring that agencies' issues and voices regarding the Networkx transition were brought to the attention of the IMC, senior GSA management, and the Federal CIO.
3. A Focus on Metrics: I believe in the maxim "what gets measured gets done" or "what you measure is what you get". Ergo, I championed the concept of Networkx transition transparency and suggested many detailed transition metrics (sliced and diced by time, agency, milestone, cost etc.) to illustrate transition progress being made by the agencies and benchmarks of performance to show leading and lagging indicators of making the final goal

4. **Open and Transparent Communications**: I helped in the establishment of a “Networkx Day” to enhance communications, awareness and improve two-way dialogue within/between Government and Industry. “Networkx Day” provided senior Government executives, Networkx Transition Managers, and key industry network services providers with a comprehensive overview of the Networkx contract, its importance, and to highlight the need for urgency in completing the transition. I was a keynote speaker at this event, as was the Federal CIO, and I moderated a Networkx Carrier Panel during Networkx Day. I have also enthusiastically promoted the Networkx transition by being a guest speaker at numerous symposia including the Association for Federal Information Resources Management’s (AFFIRM’s) Voice of the Customer: Networkx Transition and Beyond, and 1105 Group’s The Road to Transformation and Innovation – How Networkx Can Take Your Agency in New Directions. I have also participated in a series of agency CIO/OMB meetings, highlighting agency plans to accelerate Networkx transition progress. I have championed Networkx transition transparency and promoted Networkx transition challenges and benefits. I also encouraged GSA to be more open on the Networkx Website, and use new social media and they have put the metrics openly on the site and are using Twitter for Networkx!
5. **“Trust-But-Verify”**: I have partnered with OMB and GSA in a relentless follow-up conducted by GSA with each agency on a regular basis to verify progress, assist with issue resolutions and bring senior executive commitment at the CIO level or higher to verify and ensure priority and resource allocation to get the job done. This involves meetings, conference call, e-mail, correspondence and briefings.

In short, I have gone above and beyond my daily Cabinet Department CIO role through numerous engagements with the IMC and the Federal CIO Council to assist this effort.

4. What steps should Federal agencies, vendors and other stakeholders take to expedite the transition to Networkx?

GSA has highlighted six steps Agencies, vendors and other stakeholders can take to expedite the transition to Networkx : (a) Making outstanding Fair Opportunity decisions; (b) Verifying

inventories; (c) Writing orders for transitioning services; (d) Assisting contractors in verifying site information; (e) Be Meticulous With Accuracy Of Order Entry; and (f) Refine Processes To Scale With Order Volumes

I would like to highlight three of them:

1. The single most important step is to adopt a “like for like” transition approach. This approach focuses on transitioning existing services to the new contract. Agencies should avoid the temptation to leverage the contract to institute organizational transformation during transition with the 50 services available on the contract. This approach reduces the scope and complexity of the transition process. When transition is complete, agencies can consider how to leverage Networx to change the way they deliver telecommunications services and address the broader organizational change that will go hand in hand with those changes.
2. Agencies should also have a solid handle on verifying their inventory of FTS2001 services. An up-to-date inventory is critical to allow for the recommended “like for like” transition approach. Agencies should also have dedicated resources assigned to the transition. A full time Contracting Officer to the project is critical.
3. Procurement Process Delays: Vendors should adhere to the allocated time for proposal development. When vendors ask for extensions of 200% or 300%, this introduces delays into the already aggressive transition schedule. In some cases this is due to inadequate SOW specificity from Government and in some cases it is lack of preparation from Industry and/or inadequate specificity in response

5. What has been working well and are there ways that the Federal Government can further capitalize in those areas?

There have been three things that have worked well and the federal government should capitalize on these areas:

- 1) The biggest reason that the pace of the transition is accelerating is the commitment of senior leadership at OMB, GSA and the Agencies, the use of metrics to track performance and the “trust but verify” framework of follow-up. Continuing this support and maintaining this focus is critical in order to maintain the current momentum.
- 2) Another important tool that supports transition activities is the Networkx inventory application tool that was developed by GSA. This tool allows GSA and Agencies to audit the inventory records of Networkx contractors throughout the duration of the contracts. The tool also records the services that have been installed. Agencies should use this tool to ensure that the Networkx inventory is complete and accurate.
- 3) Finally, the efforts of the Transition Working Group (TWG) have been invaluable in providing a wide variety of support to the overall program including defining Networkx requirements, developing transition guides, creating guidelines for bureau transition activities and sharing lessons learned. The outstanding contributions of this group should be acknowledged and continue through the course of the transition.

Conclusion

I am committed to supporting this initiative and will continue to collaborate with GSA, all agencies involved in the transition across Government and OMB. I continue to provide agency leadership as we move forward in our transition at DOI. I appreciate very much the opportunity to address the Committee on this important national program. I welcome your support and attention to the program and believe it is providing needed focus and attention to all agencies to expedite and energize their commitment to getting the job done! An open and transparent process is providing impetus to getting the job done.

As I have described, it is in the best interest of the government to continue our momentum and finish the task at hand. We have just passed the half-way point (thanks to our recent focus). Now, all stakeholders need to remain committed and focused which will save money for the

taxpayers, as indicated by GSA, and utilize the other features and benefits of the 50 services available in this program.

I believe in the power of redemption and change. This will be a significant positive milestone in our federal government as an example of positive turn-around. It can be positively remembered as "anything can be fixed as long as everyone works together with a unity of purpose to a common end." We all look forward to that day we achieve the milestone together.

This concludes my testimony. I am happy to answer any questions that you may have.

Chairman TOWNS. Thank you for your testimony, both of you.

Commissioner Kempf, is this program voluntary or mandatory?

Mr. KEMPF. This program is voluntary, but I think almost every agency is participating in it. I think for most of the services, it really is the contract of choice, and every agency is participating in it.

Chairman TOWNS. The reason I ask, I wondered if that was a reason as to why it was moving so slowly.

Mr. KEMPF. No. I think most of the agencies have worked with GSA for years on their telecommunications. I think there was one agency early on that wasn't going to be part of it but has come into the fold. All of agencies are buying their services through this contract, or will be buying a good deal of their services through this contract.

Chairman TOWNS. Let me ask you, if agencies are not 100 percent transitioned by the final deadline, I think June 2011, what will really happen? In other words, are we going to allow Government phones to go dead, or will GSA be forced into expensive sole-source contracts? What will happen?

Mr. KEMPF. First we will look at what is left to transition. We are at the expectation that there will be little left to transition that we are watching move through the pipeline. At that point, or actually we will probably have to start the negotiations quite a bit before June 2011, we will have to anticipate what will be still left over at 2011 and then do a sole source contract, a bridge contract, to allow the rest of that work to transition, because we can't afford to have the lines drop dead in June 2011.

Chairman TOWNS. Mr. Bhagowalia, I am tempted to call you Sonny.

Mr. BHAGOWALIA. Sonny is fine, sir.

Chairman TOWNS. Given that the program has had extensive schedule delays and there have been millions of dollars in unrealized cost savings, why has the program not been flagged by OMB for an official comprehensive review?

Mr. BHAGOWALIA. Well, sir, I got involved in September 2009, and OMB, the new Federal CIO, got involved immediately right after when we informed them as to what was going on. They have been involved ever since, with basically monthly reviews of the Federal CIO Council. We have also had a followup with all of the agencies that are below the benchmark, with regular followup through GSA and OMB. And OMB also has been participating in the IMC Executive Steering Committee and the IMC, itself, to followup and see what metrics are indicating who is behind and why is it behind and so on and so forth.

So all I can talk about is since my involvement, working within partnership with GSA and OMB and the other agencies, OMB is focused and helping and has been of great help to us coming forth.

Chairman TOWNS. Can you explain why the transition seems not to be a priority for the agencies?

Mr. BHAGOWALIA. Well, sir, this is a very interesting question. I have a day job. I am a CIO of the Department. I was just watching basically a struggle going on in terms of potentially a train wreck, as you mentioned, in terms of savings. But I think all of us want to do the right thing here, and we have been working very hard

to kind of make sure that we can fix this and make sure we are going to get there. So the agencies have some challenges. Sometimes it is not on the priority list. They have many competing priorities, in my view, that I have looked at. I think somewhere that prioritization requires senior executive commitment and leadership, and I believe your committee's focus also has helped in making sure that people are taking this very seriously, and they have.

Second, I believe that there has been a lot of challenges within the agencies, themselves, in terms of a lot of turnover and attrition going on in some of the procurements and other things, which are not normally in the CIO's office. With that, there have been some challenges in terms of what has gone forward.

Third, this is a very complex program. As I have mentioned before, it is six times larger and more complex than FTS 2001, and it is the largest telecommunications program in our history.

I just find that in some instances, because of the aforementioned reasons, that the lack of commitment or leadership and oversight in some areas, perhaps we have slipped behind. But I am happy to report that since November 2009 we have gone from 16 percent to 53 percent, which is more than the last 2½ years before that, so I believe we are on the right track, thanks to the oversight provided here and our involvement, ourselves, of our own volition, that is improving this process.

Chairman TOWNS. Let me raise this with both of you. What is the key thing that we can do right now today and tomorrow to speed this transition? What can we do? I want to get both of you, Commissioner Kempf also.

Mr. KEMPF. I would say that the only thing, I think GSA is doing everything it can identify that was useful to moving forward. I think your continued attention to the matter, we have been up talking to both this committee staff and continue to speak with them, provide information on progress, status, and continued attention to the matter will keep senior agency officials focused on the goal.

Mr. BHAGOWALIA. I would just add that we need to focus on, first, the matter at hand. There are 50 services available in Networx and we should certainly look at that, but we should first focus on a like-for-like transition. That is No. 1, and I think we should do that, because you focus on one thing and get the job done.

Second is we need to make sure that we have the chief acquisition officers involved more, because on most of the side that we have the Federal CIO Council, the chief information officers have, as one of the 12 core competencies, acquisition, but the real acquisition warrant and responsibility lies with the chief acquisition officers. So perhaps they could also help, and we have reached out to them through GSA and OMB, and working with them I think the focus in trying to lift the matter from not only the CIO perspective but also the CAO perspective will certainly help.

Third, as Steve has mentioned, your continued oversight of this, along with what OMB is doing, is really helping us, and our regular followup is really producing results, because people are looking at this and saying, Let's get it done. We are making progress. Now

we have hit the 53 percent mark, we can probably get this done, so let's go ahead and do it.

I think that is the kind of momentum and leadership that we need.

Chairman TOWNS. Thank you.

I now yield to the ranking member.

Mr. ISSA. Thank you, Mr. Chairman.

Mr. Kempf, I would hope that I don't ever imply that I am disappointed in GSA. I give some credence to the fact that you are a service organization, a little bit like the buffet at the restaurant. If you put all the right things out and people do not bother to take their vegetables, it is not your fault when their diet is imbalanced. But at the same time, do you have regrets that this contract was not envisioned initially to be one in which you spoon Federal the agencies, provided the dollars in a complete service, so that what you indicated in your opening statement you are now doing in some cases wouldn't have been done at the front end several years ago, where you could have provided the implementation service? That is the first half. And I think I know the answer to that.

And the second half is the whole idea that you are having challenges when people are going through the process of essentially awarding a contract that you have already awarded. That is a little different than when I used to order pens in the Army from GSA. I didn't have to worry about anything except buying the service, because it had been pre-done.

It appears as though the contract complexity is partially based on the fact that you haven't pre-cleared the absolute right of an agency to buy from this buffet that you are offering them without a series of protests and delays.

Can you answer those two for me, please?

Mr. KEMPF. Sure. Let me start with the first part about what we might have done differently at the beginning. I think we did a good job of trying to identify lessons learned from the last transition, and I think GAO did a report, I think it was in about 2008, looking at all of the processes we had put in place to support the agencies moving forward into the transition. The Networkx services team within GSA did an enormous amount of—

Mr. ISSA. Mr. Kempf, because the time is limited and other Members are now coming in and out, I just want it to be fairly short. If you don't think that you needed to do it, that is fine. If you do think you needed to do it, it is more just almost a yes or no on the first question, please.

Mr. KEMPF. I think we have done everything we could and accelerated our support and services, including direct support, as we saw agencies struggling more and more, first part.

Mr. ISSA. And the more difficult one, the next time we go around, do we need to create an environment in which basically agencies can make decisions without essentially having one contractor slow roll the process of moving if they don't win?

Mr. KEMPF. Well, I think we tried to do that with the prices that we had developed, which would provide a much more transitioned and smoother process to moving forward. The other thing that we did that I think will help next time is in this contract is the seeds of the corpus of what the agencies will be buying next time, so es-

essentially they will be able to develop their requirements, or they will have a list of what they already have to transition. I think that was a problem, identifying just what you needed to transition. They didn't have their inventory well at hand when they started.

Mr. ISSA. OK. And before I go to Mr. Bhagowalia, or Sonny as we are choosing to call you, the administration has a lot of things they could do, and certainly OMB's absence here speaks very loudly, but this committee also has an ability. Currently these contracts are being bridged at the higher cost. I am assuming that these administration agencies would not like this committee, always in need of money to offset some of our other programs, to simply say you shall only negotiate at the lower amount per the contract, even if it is a bridge, and take that money, something that we could do that would give us some portion of \$18 million a month for offsets that the chairman and I need for our programs.

So, knowing that we could do it, knowing that it would be irresistible, and knowing that your agencies would then lose those revenues, does that help the agencies, if they are clear that we could, would, and should do that, to move quickly toward getting these bridge loans at the lower amount and taking those moneys and using them for other uses within the agencies? Is that a helpful tool?

Sonny, of course, has already responded in the non-verbal manner, but if you would, please.

Mr. KEMPF. Well, I think that would give the agencies a lot of impetus to move forward, but it would also create a lot of havoc in some of the agencies, as they would have to determine what things to turn off, whether that be their Internet service, their telecommunication service.

Mr. ISSA. No, no. If they are simply unable to convert over today but they are bridging and that contract is currently at the higher cost, even though the company they are bridging with has a contract with us at a lower cost for the same services, to me if somebody says there is a better price and I will give it to you if you give me an annual contract, and we say, Yeah, but it will take a while to do it, if they don't give me that better price today that they are giving the guy down the road during that bridging period, then I am going to make my decision faster, much faster.

So I am assuming that agencies who said I can only, and we can make it statutory, I can only write bridge contracts at the lower rate that you have already agreed with GSA to, that if they are held to do it, either by saying that Congress will act or that Congress has acted, that they would get those lower prices.

Sonny, I guess I will go to you, since you actually are where the rubber meets the road on this.

Mr. BHAGOWALIA. I think it would help. There are certainly obviously some extenuating circumstances, as Steve has mentioned, but I think it would help. I think sometimes you have to push a little bit to make sure everyone understands that we are serious. And I would like to note that OMB did issue a memorandum, MO8-26, stating that all agencies are required to transition from FTS 2001 to Networx, and that new services must transition to Networx unless a business case justifies otherwise.

So I think there was something that was provided, and there is obviously a lot of tailoring and flexibility that is also available in the contract, and I think GSA has done a great job trying to have a standard approach but also a tailoring approach, but if there are too many options it adds complexity, and complexity equals cost. So in my view, a little bit of commitment, follow-through, and making sure that there is some push would certainly help.

Mr. ISSA. Mr. Chairman, if I could ask just two questions for the record.

Chairman TOWNS. Sure.

Mr. ISSA. First of all, if you would respond for the record as to those savings that those contracts, those bridge contracts in place, would achieve if they had been at the rate negotiated by GSA for the services that they would receive if they were to make a final determination. We would like to know just how much the chairman and I could bank on for other uses if the agencies can't move.

[The information referred to follows:]

Response to House of Representatives Committee on Oversight and Government Reform Question regarding Possible Savings on Networx Contracts

This is in response to the question:

“First of all, if you would respond for the record as to those savings that those contracts, those bridge contracts in place, would achieve if they had been at the rate negotiated by GSA for the services that they would receive if they were to make a final determination. We would like to know just how much the Chairman and I could bank on for other uses if the agencies can’t move.”

Over the last two months, we have seen significant progress towards transition and, based on GSA’s discussions with Agency senior executives, we are confident that Agencies are fully engaged and are committed to completing the transition from FTS2001 to Networx by May/June 2011. Agencies are fully motivated by the potential savings they can achieve from transitioning their existing FTS2001 services and by the need for enhanced broadband services and increased security services that are available under the Networx contract. We now believe that any cost savings will be fully offset in the very near term by the increased requirements, principally for security services inherent in new Networx Information Protocol services and implementation of transformational broadband services that will provide enhanced connectivity and improved outreach to citizens across the country. GSA data clearly indicates that over the past ten years, as the price for network services has decreased through improved technology and competition on FTS2001 and Networx, demand for bandwidth has increased by over 600% while agency budgets have remained nearly constant. The most important benefit of the GSA network services program has been the ability of Government to keep up with increasing technology requirements without increasing the cost of this additional mission capability.

Since all agencies have developed schedules to meet transition deadlines, GSA is unable to project which agencies will not complete transition (if any) and what services would remain, and the dollar volume of those services. Any GSA calculation would require assumptions and estimates by GSA that would not be validated by individual agencies.

Because all agencies believe they will be successful in completing the FTS2001 to Networx transition by May/June 2011 and because GSA is unable to determine the possibility that any individual agency will not be successful, a legitimate estimate of Government savings is not possible at this time.

Mr. ISSA. And then, second of all, Sonny, because it is off topic a little bit, I would appreciate your comments back on the Department of Interior's ability to determine, at the Mineral Management Service, the correct revenues we are supposed to receive from our off-shore oil and other resources. In previous hearings this committee has been told that we only know that we get the check, we get the wire transfer, and then we have to wait for the actual oil company to tell us how much it is for and what site. I would appreciate an update on that from your perspective of whether that agency deep down in Department of Interior has improved, for the record.

Mr. BHAGOWALIA. I will check the status for you on the second item that you had mentioned. Obviously, I am not in that particular department, in that section of the Department, but I will get that information for you.

Chairman TOWNS. We will hold the record open for it.

Mr. BHAGOWALIA. Yes, sir.

And on the first part, I think the question was in terms of helping out and going forward I think it would certainly be helpful, in terms of what you are saying, in providing a little bit more focus in the area that you have suggested here.

Chairman TOWNS. I now recognize the gentleman from Virginia, a very active member of this committee, Congressman Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

I would ask that my opening statement be entered into the record, if there is no objection.

Chairman TOWNS. No objections.

Mr. CONNOLLY. Thank you, Mr. Chairman.

[The prepared statement of Hon. Gerald E. Connolly follows:]

Statement of Congressman Gerald E. Connolly

Running Out of Time: Telecommunications Transition Delays Wasting Millions of Federal Dollars

Committee on Oversight and Government Reform

May 19, 2010

Thank you, Chairman Towns for holding this important hearing. I want to welcome a constituent of mine to this hearing, Don Herring of AT&T, who will appear in the second panel. I had the privilege of visiting AT&T offices in Oakton this spring, and am pleased to have the opportunity to work with Don on this issue. As the written testimony of both government and private sector witnesses attests, it is in everyone's interest to complete the transition to Universal and Enterprise Network contracts quickly. Every month we delay wastes \$22 million in taxpayers' money, while vendors like AT&T benefit from transitioning out of the outdated FTS2001 system that Network is replacing.

This hearing serves as another reminder that the technological skill sets of federal employees are essential to the efficiency of the federal government. As the General Services Administration noted, federal employee turnover and lack of technical capacity in federal agencies has contributed to delays in transitioning to Network. This Committee and its Subcommittees have held numerous hearings in which the performance of our federal workforce has proven to be essential to the functionality of our federal government, whether the issue was cybersecurity or auto safety.

This Committee also has passed numerous bills to improve our ability to recruit and retain skilled employees, including the Federal Retirement Reform Act, Paid Parental Leave Act, Telework Improvements Act, and Domestic Partnership Benefits and Obligations Act. These bills are a central part of our effort to compete for skilled labor in the competitive National Capital Region market. Those who have opposed this legislation for ideological reasons or, in the case of Telework, as part of the minority's decision to vote no on everything, are contributing to conditions that will only waste taxpayer money in the future. Those who claim sanctimoniously to care about government spending need to make their actions match their words, and support human resource policies that will allow the federal government to recruit and retain skilled employees.

I would like to think that the minority could put the welfare of our country ahead of partisan politics. Given the minority's decision to kill the Telework Improvements Act and America Competes, however, it is clear that their politics will continue to trump the welfare of our constituents, at least for the remainder of this election cycle. If that is the case, we will have many hearings like this in the future to study missed opportunities to save taxpayers' money.

Questions:

Steven Kempf, GSA:

Will you be able to show net savings to the US Gov't from Networx?

What is your plan to provide continuing service to agencies that have not completed everything to end the FTS 2001 contracts?

Are you concerned that the delay in agencies transferring to Networx has exposed them to greater cyber security risks?

Mr. CONNOLLY. I also want to welcome Don Herring from AT&T, who will appear on our next panel. I had the opportunity to visit AT&T in Oakton in my District about a month or so ago, and very much appreciate the work he and his colleagues at that facility are doing, often on behalf of the U.S. Government.

Mr. Bhagowalia, we have had substantial delays in the transition to Networx, and in some cases the delays have been, from my point of view, extraordinary, where the talent, the capability inside the telecommunications talent is very limited. In one case there was one Federal agency where we had two people and they died, and when they died the capability died with them. It brought everything to a standstill at a large Federal agency.

Help me understand how we can be so hollowed out in terms of capability on something as important as telecommunications, and especially when we knew that we needed to implement Networx.

Mr. BHAGOWALIA. Well, sir, I can only talk about the fact, when after I took on the new role as the Executive Steering Committee Chair as of September 2009. My observations are that there has been some attrition and turn-over in some of the procurement corps that exists in a lot of agencies, and along with that goes some talent and some movement and continuity issues that happen on the contract.

I would also say to you that obviously there is some incredible talent in the agencies, but it is uneven in some areas, so clearly some departments perhaps are behind, but in some other areas they are fantastic. I can safely say that in my department the acquisition corps, but more importantly also the technical corps folks, are very, very qualified. Similarly, I found that GSA has been the same thing.

But, taken in totality, I find that, again from my experiences, that in the Government there is a lot of responsibility that has gone over to the acquisition corps, and when there is attrition or movement or turnover or they leave for other jobs, a lot of institutional knowledge goes and tacit knowledge goes with them, and that is perhaps some of the issues that you were talking about. That does exist. Unfortunately, that is something that we are trying to improve with the new human resources processes and training that will improve that process.

Mr. CONNOLLY. Well, I just have to tell you I have worked for some large companies in the private sector. There is transition in the private sector. People go and take other jobs, people get promoted, people move to other departments, but the hollowing out of an entire capability, especially one as sensitive as telecommunication, I never saw it in the private sector.

Mr. BHAGOWALIA. If I could answer that I, myself, was in industry for 14½ years in the Boeing Co., I chose to come to Government for service, and I can safely tell you that there are many, many folks who are coming from industry to serve, and we are getting a new infusion of talent, as well, but there is also good balance in terms of the training that exists within our own corps.

My biggest concern is attrition and the institutional knowledge that people have, and that continuity remains, as you said, a big concern.

Mr. CONNOLLY. Let me just say on that I think that this isn't only about making Networx work, finally, but, frankly, it raises a broader question about the technical skill set and competence we have within Federal agencies. I think we have to address that, because there are lots of other things that this committee has looked at, like cybersecurity.

As you look at what I call the demographic imperative, the Baby Boom generation that is working its way through the Federal work force, they are going to be retiring, and along with those retirements goes huge skill sets. So this is the canary in the mine shaft, it seems to me, and we have to use this to not just look at this specific task, but, frankly, the whole question of do we have the resident expertise we need moving forward in the Federal Government, and if not, how do we build it in so that we are not so vulnerable to transitioning by individuals or, God forbid, somebody passing on and with them goes the capability. That is just not acceptable in serving the American public.

Commissioner Kempf, speaking of capability, GSA has had to resort to helping agencies write their statement of work. How is it that Federal agencies don't have the professionals capable of writing their own statements of work for Networx?

Mr. KEMPF. Thank you for that question. I think one of the things that we have seen, I think you hit on it very early here, was that each of the agencies has their own struggles with personnel, and in some agencies, particularly the small agencies, there just aren't enough people with the expertise to do the requirements.

In that instance we have stepped in for particularly those smaller agencies and actually done the work for them with respect to the requirements, and even supported them very aggressively with their contracting. I think this committee is well aware of the contracting issues across the entire Federal Government, and the depletion of that contracting corps and the competing demands for their time and service to get things done.

Mr. CONNOLLY. Yes. Mr. Chairman, I see my time is up, but if I may just observe, again I think this is a broader issue than just being able to write statements of work, although that is troubling enough, but it raises the question of whether we have the technical expertise within the Federal agencies to manage large, complex contracts, systems integration contracts, telecommunications contracts, cybersecurity, Mr. Chairman, as you pointed out, and I just think we have to get to that, because otherwise we are going to find our ability to even manage the contracts we outsource will be degraded over time.

Thank you.

Chairman TOWNS. I thank the gentleman from Virginia for his comment.

I now yield 5 minutes to the gentleman from Missouri, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. I am a little under the weather this morning so I am going to pass and I will yield back.

Mr. ISSA. If the gentleman would yield for a second.

Mr. LUETKEMEYER. I will yield my time to the ranking member. Thank you.

Mr. ISSA. Thank you.

Just briefly, Sonny, because you came from the private sector and the gentleman from Virginia had sort of alluded to that, isn't the greatest, in your opinion, I am hoping it is, isn't the greatest problem that there is, as far as people retiring and things not being able to be done going forward, the tendency to have legacy software and hardware; that the faster the pace of modernization, the less often you end up with somebody being critical because they are part of legacy?

Mr. BHAGOWALIA. Yes. Absolutely. I mean, Moore's law is 18 months technology changes full-scale, and sometimes it takes us that long to go through the acquisition process, so it is already obsolete by the time you are going through technology change. I think the balance between faster acquisition and more smaller, agile processes is the answer.

Mr. ISSA. OK. So I guess for both sides of the aisle here, the most important thing for us to do is to give you the impetus to move faster so that less often will you have somebody who is mission critical but on life support.

Thank you. I yield back.

Chairman TOWNS. Thank you very much. The gentleman yields back.

Mr. CONNOLLY. Mr. Chairman, would my colleague yield?

Mr. ISSA. He controls the time.

Mr. CONNOLLY. I wanted to ask the distinguished ranking member a question, if I could do that.

Chairman TOWNS. The gentleman from Missouri controls the time.

Mr. CONNOLLY. Would the gentleman yield?

Mr. LUETKEMEYER. Sure.

Mr. CONNOLLY. I appreciate it. Thank you.

Mr. Issa's point is very well taken, but one of the practices that is going on right now is in the desire to catch up, Federal agencies are raiding small- and medium-sized companies, as well as large companies, for their expertise. That is having a devastating impact on small- and medium-sized Federal contractors. We don't solve this problem of addressing the hollowed-out capability we have by hollowing out theirs. That can have a real problem impact on their ability, frankly, to compete with Federal business and provide the expertise that they have that we need.

So in solving the problem I think we have to move forward and be very sensitive to how we are dealing with the private sector.

Thank you for yielding.

Chairman TOWNS. Thank you. Does the gentleman yield back?

Mr. LUETKEMEYER. Yes, I will yield back. Thank you, Mr. Chairman.

Chairman TOWNS. Commissioner Kempf, has GSA calculated the total amount of unrealized cost savings to the American taxpayers? Did you look at it?

Mr. KEMPF. I don't believe we have done that yet, but I believe Congressman Issa has asked us to at least give you part of that response back.

Chairman TOWNS. Good.

Mr. Bhagowalia, I know you worked with the Federal Chief Information Officers on the transition. How can we leverage the participation from the Chief Financial Officers' community and Chief Acquisition Officers? How can we leverage that?

Mr. BHAGOWALIA. Sir, I think in the OMB there is a tremendous partnership that has happened between the Federal CIO, the Federal CFO, the Federal CAO, Mr. Gordon, and the Federal CFO, Mr. Werfel, and Federal CIO, Mr. Kundra, and the Federal CTO to work together on these common problems. I think from that standpoint we need to bring it to their attention, and we have.

We are also following up with the CAO, even though that is not within my domain, but making that suggestion, and we have provided that suggestion to your staff, as well, that if the three parties were to get together from that side, and then likewise we have a concomitant sort of process at the CIO Council, the CFO Council, and the CAO Council, and a regular exchange of metrics on a regular basis of one set of metrics that can be viewed by all three.

And then also the CFO Council and the CAO Council, just like the Federal CIO Council is following up with every agency, they could do likewise with the other part of the CFO and CAOs that exist within the departments and agencies. We can solve this issue by triangulating and making sure there is enough oversight and participation, because basically everyone now knows that they have to get this done, and I think that is what is driving the momentum.

And thanks for the oversight, as well. I believe that is the only way we will get this job done. I have recommended that the CAO and CFOs should be involved in this process.

Chairman TOWNS. Thank you very much.

Mr. Ranking Member, do you have any other additional questions?

Mr. ISSA. Not at this time.

Chairman TOWNS. Let me first thank both of you for your testimony. Of course, we look forward to continuing to work with you to try and move this process forward.

Of course, if any Members have any additional questions, you can submit them.

Thank you very, very much Mr. Bhagowalia, better known as Sonny, and Commissioner Kempf. Thank you so much for your testimony this morning. Thank you.

Mr. BHAGOWALIA. Thank you.

Mr. KEMPF. Thank you.

Chairman TOWNS. We will now move to our second panel: Ms. Susan Zeleniak, group president of Verizon Federal; Mr. Don Herring, senior vice president at AT&T Government Solutions; Diana Gowen, senior vice President and general manager of Qwest Government Services; Edward C. Morche; and Bill White, vice president of Federal programs at the Sprint Nextel Corp.

As with the first panel, it is the committee's policy that all witnesses are sworn in, so if you would please stand and raise your right hands as I administer the oath.

[Witnesses sworn.]

Chairman TOWNS. Let the record reflect that all the witnesses answered in the affirmative.

Let me begin with you, Ms. Zeleniak.

STATEMENTS OF SUSAN ZELENIAK, GROUP PRESIDENT, VERIZON FEDERAL, INC.; BILL WHITE, VICE PRESIDENT OF FEDERAL PROGRAMS, SPRINT NEXTEL CORP.; DIANA L. GOWEN, SENIOR VICE PRESIDENT AND GENERAL MANAGER, QWEST GOVERNMENT SERVICES, INC.; EDWARD C. MORCHE, SENIOR VICE PRESIDENT, FEDERAL MARKETS, LEVEL 3 COMMUNICATIONS; AND DON HERRING, SENIOR VICE PRESIDENT, AT&T GOVERNMENT SOLUTIONS

STATEMENT OF SUSAN ZELENIAK

Ms. ZELENIAK. With a last name like Zeleniak, I am not used to being first, so thank you.

Chairman TOWNS. With a last name like Towns, I can really relate to that.

Ms. ZELENIAK. Mr. Chairman and members of the committee, thank you for the chance to speak with you today about the status of the Networx transition. My name is Susan Zeleniak, and I am the group president of Verizon Federal.

The benefits and cost savings of Networx can still be achieved. Verizon will continue to work closely with our customers to make the promise of Networx a reality.

First a word about Verizon. In addition to being an industry leading wireless provider and our FiOS services, Verizon serves 98 percent of the Fortune 500 and virtually every Federal agency. We have the largest global network of any U.S. carrier, serving 2,700 cities and 159 countries around the world. And we are a recognized leader in cybersecurity.

Let me begin by recognizing GSA for their vision in conceiving the Networx program. Networx will bring the Government the best technologies at the lowest prices. Many cutting-edge solutions, like cloud computing and virtualization, can be delivered today through the Networx contract. GSA got it right.

Several factors have contributed to the prolonged transition, as agencies have taken more time than expected to determine their requirements, evaluate their fair opportunity proposals, and make their awards.

The situation is understandable, given the complexities of many of the agency IT programs. We would prefer to be further along in the transition process but recognize that some agencies are taking additional time to make certain that their transition is done right.

So far the biggest lesson that we have learned is that the most successful agencies have dedicated a level of resources required to a smooth and timely transition. Take, for example, the Department of Homeland Security. DHS has one of the largest and most complex networks, and yet it is almost done with transition. Why? Because early in the process DHS committed the resources to getting the job done.

Allow me to describe three steps Verizon has taken to speed up transition. We invested millions of dollars in a back office transition program that automates the transition of our existing customers to Networx so that they more quickly realize the savings. We established a network users forum to meet with our customers to discuss any issues that are impacting their transition. And earlier this year we hosted our own seminar focused on moving agen-

cies from transition to transformation. A standing room only crowd at that event told me that agencies are as anxious as we are to move beyond transition.

Clearly, the transition process has proven to be far more complex than anticipated. Thankfully, both GSA and the IMC have taken steps to expedite the transition. GSA's transition credits and funding for contractors have helped move the process forward. I urge agencies to take advantage of this assistance.

In addition, the IMC should continue to provide leadership in identifying and solving transition problems.

I am confident that the promise of Networx will become a reality. When it does, the benefits will extend well beyond Federal agency users. It will have a meaningful impact on how American citizens interact with their Government, and it will help drive solutions to social problems that are important to all of us.

In March the FCC issued its national broadband plan. That plan showed how agencies can use broadband services to both improve their performance and generate social benefits. Networx will enable a smarter use of broadband and improve the delivery of Government services. Your constituents will enjoy a faster resolution to matters they have with Federal agencies.

Let me just give you two examples of this.

As your constituents conduct business with Federal agencies online, it will create one more reason for American citizens to adopt broadband. Greater broadband adoption is terribly important for education, job training, and health care, just to name a few.

Also, each online solution means one less car on the road. That means less traffic congestion, reduced energy consumption, and less pollution.

In conclusion, despite transition delays, Networx will provide Federal agencies with advanced technologies at the lowest prices. It is important for all agencies to allocate greater resources to the effort and to take advantage of incentives that GSA and the IMC are offering to help with transition.

Once the transition is complete, Networx will improve Government efficiency and performance, deliver cost savings to taxpayers, enable new online services for our citizens, and help drive broadband solutions for social problems.

Thank you for the opportunity to speak.

[The prepared statement of Ms. Zeleniak follows:]

**WRITTEN STATEMENT OF
SUSAN ZELENIAK
GROUP PRESIDENT, VERIZON FEDERAL
BEFORE THE
COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
“TRANSITIONING FROM FTS2001 TO NETWORX”
MAY 20, 2010**

Mr. Chairman and Members of the Committee, thank you for offering me the opportunity to testify on the status of the transition from FTS2001 to Networx. My name is Susan Zeleniak, and I am the group president of Verizon Federal, the unit within Verizon dedicated to serving the federal government. I am here today to tell you that the benefits and cost savings of Networx can still be achieved, and that Verizon is poised to continue working closely with our federal government customers to make the promise of Networx a reality.

First, just a word about Verizon. Many people think of the company for its unsurpassed wireless service. Others may be more familiar with our industry-leading FiOS TV and Internet service. But Verizon is much more. A global broadband company, Verizon is the preeminent provider of telecommunications and advanced IT services to the federal government. In fact, today's Verizon:

- Provides secure, global IP networking solutions to 98 percent of the Fortune 500 and to all sectors of the economy including financial services, retail, technology, healthcare, and education.
- Has a global IP footprint serving 2,700+ cities in 159 countries.
- Is a recognized industry leader in cyber security. Verizon publishes an annual Data Breach Investigations Report, operates the ICSA Labs that test and certify security devices and equipment, and works very closely with the federal government's national security and emergency preparedness organizations in policy development, planning, and operational support.

I am happy to address the topics which are the subject of today's hearing -- the pace of transition from FTS2001 to Networx, issues that may be impacting this transition, and steps that both industry and government can take to accelerate it. Regarding the Networx program itself, I would be remiss if I did not recognize the General Services Administration (GSA) for its vision in conceiving this program and its management of the vigorous competition which ultimately led to contract awards to Verizon and four other carriers.

The Networx program was intended to bring to the federal government the best technologies at the lowest prices, while also enabling agencies to obtain the most current technology refreshment over the ten-year life of the contract. That vision can and will be achieved. In fact, many of the "cutting edge" solutions that we talk about today as reflecting the future of federal government IT -- cloud computing, virtualization, etc. -- are all services that Verizon can deliver today through the Networx contract. GSA had it right when it developed the Networx program to procure advanced technologies at significant savings to the government. The major challenge now, however, is to help agencies move through the *transition* stage of Networx to the truly *transformational* stage.

It is Verizon's view that the federal government's adoption of broadband technologies under Networx will be transformational not only for federal agencies, but for all levels of government as well as for the American citizens they serve. Broadband technologies will change the way the government serves the public and it will drive beneficial social changes as well.

Clearly, the transition from FTS 2001 hasn't occurred as rapidly as originally anticipated. From Verizon's perspective, a number of factors contributed to the prolonged transition to Networx, including longer time periods for agencies to determine their requirements, evaluate Fair Opportunity proposals, and make their Networx awards.

While perhaps not ideal, this situation is understandable given the complexities of many agencies' IT programs and the strategic plans associated with them. While we would prefer to be further along in the

transition process, we recognize that there are some agencies that are taking additional time to make certain their transition is done right. That's very important. We will continue to work with all of our federal agency customers to complete the transition process.

One of the biggest lessons learned during this process is that the transition was more demanding on agency resources and personnel than many of us anticipated. The most successful agencies have been those that have been able to dedicate sufficient resources to ensure a smooth and timely transition. Take, for example, the Department of Homeland Security (DHS). DHS has one of the largest and most complex networks, yet it is almost done with transition, mostly because it committed the necessary resources to getting the job done right. As we consider lessons learned from DHS' experience, we've concluded that DHS has been successful in its Network transition for a number of reasons:

- DHS was an early adopter -- OneNet was one of the first major Fair Opportunities awarded (March 2008).
- DHS assigned a transition leader with authority to make decisions.
- DHS has a leadership position in the Interagency Management Council (IMC).
- The department holds regular internal Network Transition Working Group (NTWG) meetings so that component agencies can share successes and obstacles.

The target for DHS' OneNet transition completion is December 31, 2010. Largely because it committed an appropriate level of resources to the task, DHS is on track to meet that deadline.

Steps Verizon Has Taken to Expedite the Transition Effort

Verizon is committed to completing the Network transition in as timely a manner as possible, and we are proud of the steps we have taken with our federal agency customers to do so. Let me provide three examples of concrete steps we have taken:

- **Back Office Transition Program:** Early in the Network transition process, Verizon invested millions of dollars to streamline the process by automating transition for our existing customers.

- **Networx Users Forum:** These regularly-scheduled sessions enable us to meet with our Networx customers to discuss transition and any other issues impacting them.
- **Networx Transition Seminar:** Earlier this year, we hosted our own Networx seminar, where we focused on moving agencies from "Transition to Transformation." We had a standing room only crowd for this event, which tells me that agencies are as anxious as we are to move beyond transition.

Steps GSA and IMC Have Taken

It is clear that the transition is proving to be far more complex than anticipated. Thankfully, both GSA and the IMC have taken effective steps to address these complexities and to expedite the transition.

- GSA's transition credits for agencies and funding for contractors have been a tremendous catalyst to keeping the process moving forward. GSA provides these funds to support one-time charges associated with the transition
- The IMC has provided leadership in identifying issues that slowed the Networx transition and has been instrumental in finding solutions to address those issues.

Conclusion

I am fully confident that the promise of Networx will indeed become a reality. When it does, when the federal government fully embraces and integrates broadband technology, its benefits will extend well beyond federal agency users. I believe Networx will have a huge impact on how American citizens interact with their government.

In March, the Federal Communications Commission (FCC) issued its *National Broadband Plan* that shows how agencies can use broadband services to both improve their performance and generate social benefits. The FCC's recommendations envision governmental agencies that offer services comparable to those that private sector companies offer, and suggest that agencies should serve as broadband "anchor tenants" for unserved and underserved communities. I commend those sections of the FCC report to the Committee's attention.

This is a vision we share. Networkx will enable a smarter – and broader -- use of broadband. This in turn will drive a vast change in the delivery of government services and enable citizens to conduct business with the government more efficiently and effectively than ever before. That is a future that we will work hard to deliver, as soon as possible.

Once again, thank you for the opportunity to address the Committee this morning.

Chairman TOWNS. All right. Thank you so much for your testimony.

Mr. White.

STATEMENT OF BILL WHITE

Mr. WHITE. Good morning, Chairman Towns, Ranking Member Issa, and members of the committee. My name is Bill White, vice president of Federal programs for Sprint Nextel Corp.

Sprint appears before the committee today in the unique position as being the only provider to have served FTS 2000, FTS 2001, and the Networx contract for the past 20 years. Sprint has worked very well with GSA over these years to provide billions of dollars in highly reliable telecommunications services and solutions to Federal agencies.

Sprint has many lessons learned from the last large Federal telecommunication transition, FTS 2000 to 2001, that we bring to the current challenge.

I am here today to present Sprint's views on the ways to expedite the transition in order to save the Government time and money and bring about greater competition in the acquisition of telecommunications services.

A March 4, 2009, Government contracting memorandum plainly states, "the Federal Government should perform its functions efficiently and effectively, while ensuring that its actions result in the best value for taxpayers." While I have much respect for the hard work that has been done by the GSA to date, I have serious reservations about the efficiency and effectiveness of having two overlapping Networx contract vehicles.

I submit that best value is achieved by maximizing competition. Simply put, the Networx enterprise contract offers lower prices and more competition than the universal contract. Accordingly, and for the reasons further stated, Sprint recommends that the Government either combine the Networx contract vehicles into one contract or at least direct agencies to Networx enterprise.

The two Networx contracts, universal and enterprise, overlap considerably, creating unnecessary complexities resulting in delays and lost savings. Some examples are, first, the complexity of the Networx contract has created millions of unique price points resulting in confusion and delays. Second, duplicative services offered on both contracts are priced differently, also causing confusion and delays. Third, terminology changes between the old contract and the new grind the gears of transition to a halt.

It is in the Government's best interest to open competition to all five Networx contractors to achieve best value, save money, and complete the transition by the mid-2011 deadline.

It is well accepted that greater competition leads to better value for consumers, industry, and Government. All five Government contractors represented today hold Networx enterprise contracts; however, there are only three Networx universal vendors. As such, solicitations issued under Networx universal by definition are subject to less competition. Collapsing the contracts, or at least directing agencies to the lower-cost Networx enterprise will facilitate a faster transition.

Additionally, over 95 percent of the current FTS 2001 inventory of services installed at agencies is available on enterprise.

All parties would benefit if GSA combines the Networx contracts or directs agencies to the lower-priced network enterprise vehicle. By collapsing the contracts, agencies would have a clearer and faster path to traditional services and transformative capabilities like unified communications, mobile integration, and 4G. GSA would have a more streamlined administrative effort, lower cost to manage contract modifications, reporting, and the contract oversight process. The universal vendors would also have reduced labor and administrative efforts required to support the duplicative contracts. These resources can be reinvested in expediting transition.

Finally, I think it is important to emphasize that the longer it takes to merge or direct traffic to one contract, the more difficult it could be to transition services at the end of Networx.

Sprint also has invested millions of dollars in Networx and is better prepared for the transition based on lessons learned from our prior FTS 2001 transition experience.

To highlight some of the progress to date, Sprint has moved over 423,000 voice lines from FTS to Networx, and an average of 1½ days per project and over 400 Internet protocol services at an average of 21 days per project. No contractor is better prepared or more experienced than Sprint for this transition task.

Simplifying the contract platform would go a long way to reducing transition complexity and ultimately accelerate transition.

I thank you for your time and am happy to answer any questions you may have.

[The prepared statement of Mr. White follows:]

**WRITTEN TESTIMONY OF
BILL P. WHITE
VICE PRESIDENT OF FEDERAL PROGRAMS
SPRINT NEXTEL CORPORATION
ON TRANSITION OF FEDERAL TECHNOLOGY SERVICE 2001 CONTRACT
TO NETWORK
BEFORE THE HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT
REFORM
May 20, 2010**

**Written Testimony of Bill P. White,
Vice President of Federal Programs,
Sprint Nextel Corporation**

Good morning Chairman Towns, Ranking Member Issa and members of the Committee. My name is Bill White, Vice President of Federal Programs for Sprint Nextel Corporation. I would like to express my appreciation for the opportunity to share with you Sprint's views on "NETWORX," the successor to the FTS 2001 contract.

Sprint appears before the Committee today in the unique position of being the only provider to have served FTS 2000, FTS 2001, and Networx customers for the last 20 years. Sprint has worked very well with GSA over these years in providing billions of dollars in telecommunications services to the Federal Government. Sprint also has experience with the transition from FTS 2000 to FTS 2001, and now the Networx transition. I am here today to present Sprint's views on ways to expedite the transition in order to save the Government time and money and bring about greater competition in the acquisition of telecommunications services by the Government. I also will address issues associated with the management of the Networx program.

In President Obama's March 4, 2009, government contracting Memorandum for the Heads of Executive Departments and Agencies, he plainly stated the contracting policy of his administration: "[The Federal Government] should perform its functions efficiently and effectively while ensuring that its actions result in the best value for the taxpayers." While I have much respect for the hard work that has been done by GSA to date, I have serious reservations about the efficiency and effectiveness of having two overlapping Networx contract vehicles. I also submit that "best value" is achieved by maximizing competition.

Simply put, the Networx Enterprise contract provides the best value to the Government by offering lower prices and more competition than the Universal contract. Accordingly, and for the reasons further stated, Sprint recommends that the Government either combine the Networx contract vehicles into one contract or at least direct agencies to Networx Enterprise.

The Two Networx Contracts—Universal and Enterprise Overlap Considerably Creating Unnecessary Complexities Resulting in Delays and Lost Savings

With respect to transition planning to Networx, among other things, GSA advises agencies to conduct a complete analysis of their current inventory of telecommunications services and project future operational needs. Before determining which acquisition vehicle to use, either Networx Enterprise or Networx Universal, agencies must determine requirements, document requirements and service groups, and perform market research. An agency team is faced with the following to determine which platform will best meet their needs:

- Networx has three times the core services of FTS 2001. This is further complicated by two contract vehicles and eight different vendor contract options. This results in literally tens of millions of unique price points available under Networx. How does a busy Government employee have time to learn about millions of options?
- Over 95% of services are available on both Enterprise and Universal, but sometimes with slightly different prices and service bundles. Which is best? Why are they different? Networx Enterprise offers the lowest prices. Why shouldn't this be an agency's first choice?
- In addition to the increase in complexity in services and overlap between contracts, due to changes in terminology between FTS 2001 and Networx, it becomes even more difficult for agencies to map services between contracts. This grinds the gears of transition to a halt.

It is no wonder that the Networx transition is taking longer than expected.

Over time, GSA also will need to duplicate effort. Rather than one set of contract modifications, GSA will need to administer two sets. Instead of one batch of contract reports and deliverables to review, GSA will have to double its effort. In light of all the higher agency priorities such as the MTIPS program and other mandates, plus the continued Government personnel turnover and lack of technical staff resources, it simply does not make sense to have two Networkx contracts.

It is in the Government's Best Interest to Open Competition to All 5 Networkx Contractors to Achieve Best Value, Save Money, and Complete Transition by the Mid-2011 Deadline

It is well accepted that greater competition leads to better value for consumers, industry, and Government. All five government contractors represented today hold Networkx Enterprise contracts. However, there are only three Networkx Universal vendors—Verizon, AT&T and Qwest. As such, solicitations issued under Networkx Universal, by definition, are subject to less competition.

All five of the Networkx contractors offer a broad range of telecommunications services, but we all have our strengths in certain areas. Sprint is the only carrier that offers wireless 4G services on a Networkx vehicle. Sprint 4G is a next-generation mobile broadband network that will enable government customers to increase their productivity and expand their capabilities through faster Internet connectivity anywhere within the expanding 4G coverage area. Sprint also is an industry leader in providing IP services. As the longest serving vendor under the FTS and Networkx programs, Sprint has the most experience in providing telecommunications services to the United States Government. As evidenced by a search of GSA's Networkx Unit Pricer, Sprint also offers highly competitive prices. Therefore, in order to get the "best value" regarding technical

capabilities, past performance, and price, GSA should combine the Networx contract vehicles into one, or direct agencies to Networx Enterprise, to allow all Networx vendors an opportunity to compete to earn the Government's business.

Additionally, it has been estimated that \$18 million in savings are lost for every month that the transition to Networx is delayed. These savings are more likely to be realized if there was only one Networx contract vehicle. If the duplication of contracts is not addressed, I am concerned that the long-term costs in unnecessarily administering two contract vehicles could exceed the total projected savings under Networx.

All Impacted Parties Would Benefit if GSA Combines the Networx Contracts or Directs Agencies to the Lower Priced Networx Enterprise Vehicle

While I do not deny that Sprint would receive a benefit from the combination of the Networx contracts, all other impacted parties would benefit as well. Agencies would have a clearer and faster path to traditional services and transformative capabilities like unified communications, mobile integration and 4G! GSA would have a more streamlined administrative effort, lower costs to manage contract modifications, reporting and the contract oversight process, and a much better chance of meeting the FTS 2001 transition deadline of May 2011. The Universal vendors also would have a reduced labor and administrative effort required today to support duplicative contracts. These resources can be reinvested in expediting transition. Finally, it is important to emphasize that the longer it takes to merge or direct traffic to one contract the more difficult it could be to transition services at the end of Networx.

Areas that Are Working Well, Expediting Transition, and Problems Encountered in Networx Procurement Process

In spite of the challenges I have discussed above, there are success stories. For example, Sprint has been extremely fast in “like for like” transitions of services from the FTS 2001 contract to Networx. This “like for like” transition has proven to be seamless and requires billing record updates only. In December of 2008, Sprint worked very closely with the FDIC and FBI to move 81 and 79 IP sites respectively within one bill cycle. Customer orders were received on December 15, 2008, and both the FTS 2001 disconnects and new order installs occurred under Networx effective January 1, 2009.

Sprint has invested millions of dollars in Networx and is better prepared for the transition based on lessons learned from our prior FTS transition experiences. To highlight some of the progress to date, Sprint has moved over 423,000 voice lines from FTS to Networx in an average of 1.5 days per project and over 400 Internet Protocol services completed in an average of 21 days per project. No contractor is better prepared or more experienced than Sprint for this transition task. Simplifying the contract platform would go a long way to reducing transition complexity and ultimately accelerate transition.

GSA’s Networx hosting center has been important in allowing for quicker and easier document processing and management. By keeping the contract, modifications, and communications in a central repository, GSA has facilitated more effective contract administration.

However, agencies continue to struggle with conducting Fair Opportunity Reviews (FORs). I have identified challenges below along with Sprint’s recommendations for corrective action.

1. Agencies lose valuable time in determining which Networx contract vehicle to use (Universal or Networx).

Recommendation: As discussed above, merge both contracts to reduce overhead and delays or direct agencies to Networx Enterprise.

2. Agencies have to conduct Fair Opportunity Reviews under Networx and often ask for more information than necessary.

FORs can be a pricing exercise (using GSA pricing tool or reaching out to vendors) or involve the development of a Statement of Work (SOW). If the agency reaches out to vendors, most FORs have asked for not just pricing but complete SOW (proposal) responses.

Recommendations: The vendors should only be asked to provide pricing and responses for agency requirements above and beyond requirements awarded to vendors under Networx. GSA also should create a FOR template for agencies to use when conducting their reviews. GSA should remove requirement sections of the Agencies' SOWs that are addressed in the base Networx contract and considered to be standard (e.g., ordering, billing, dispute, adjusting, and web portal).

This concludes my testimony. I thank you for your time and am happy to answer any questions that you may have.

Chairman TOWNS. Thank you very much, Mr. White, for your testimony.

Ms. Gowen.

STATEMENT OF DIANA GOWEN

Ms. GOWEN. Chairman Towns, Ranking Member Issa, members of the committee, good morning. My name is Diana Gowen. I am the senior VP and general manager of Qwest Government Services. We are an awardee of both Networx universal and enterprise.

I will begin by addressing some of the root causes of the network transition delays. Networx was designed to be more innovative, cost-effective, and transformative than prior contracts. Industry and the agencies welcomed this change. Unfortunately, the new contracts were so vastly different from the two predecessor contracts that agencies had to learn new complex pricing and service structures.

With the loss of key contracting and technology staff, heightened focus on OMB compliance issues, and a 42-month extension of FTS 2001, Networx transition fell to the bottom of the pile. Incumbentitis and comfort with the status quo set in. Agencies heaved a huge sigh of relief, let their inventories grow stale, and had no incentive to plan or to move forward.

All of these issues could have been overcome if OMB and GSA had helped agencies simplify the procurement process. They did not, and, unfortunately, we are here after more than 3 years with, by my calculation, almost \$1 billion in lost savings, and continued lost savings accruing, as I heard this morning, \$22½ million per month. A lot of technical and contracting help could have been provided for the cost of doing nothing during that time.

Exacerbating all of these issues were two unfortunate choices GSA made. In 2006, before Networx was awarded, was the decision to extend the FTS 2001 contracts for 42 months. The legacy contracts marched full-speed ahead, with no fixed date for stopping new orders. Unbelievably, FTS 2001 continues to have more new orders than Networx.

Second, GSA measured transition progress by a flawed metric, counting things disconnected rather than dollars moved from the old contract to the new. This creates an illusion of progress.

Under Networx, the procurement process has been too complex, with too few knowledgeable procurement and technical resources. Agencies have not made fair opportunity decisions quickly. So we should focus on steps that would create momentum: increase agency/industry dialog, compare pricing, or issue requests only for pricing, and if proposals are necessary at this stage, make them oral. Transition like-for-like, transform later. For those agencies that have proposals in hand, the evaluation criteria should be rigorously followed and decisions made. For transition, agencies should build a project time line and stick to it. Hold folks accountable.

I am encouraged by GSA Administrator Martha Johnson's focus on transparency, innovation, operational excellence, and customer intimacy. In the long run, this vision will push GSA to make better customer support decisions. In the short term, we need GSA's continued collaboration with all of the stakeholders.

Qwest has made every effort to assist in the transition, investing tens of millions of dollars in tools, in people, meaning jobs, for proposals, for contracting, for program management, for training staff and educating agencies. Despite these efforts, the delays continue.

The cost of Networx bids and the delays in transition are leading to a death spiral of costs chasing declining revenues and profitability. There is real economic harm.

These problems have been largely ignored by several oversight agencies since the award of Networx. OMB, the GAO, the CIO Council, GSA should not feel good about where we are to day. Oversight such as that provided by your hearing today is vital.

We recommend Congress and OMB encourage GSA to extend the Networx contracts 5 years until 2022 and to freeze the rate structure at today's rates until at least 80 percent of the dollars on FTS 2001 have been moved to the Networx contract. It is time to make some basic changes to the program to ensure that Government gets the best deal, industry is treated fairly, and agencies get the chance to transform to modern technology at world class pricing.

Thank you for the opportunity to present our views on this important program, and I look forward to your questions.

[The prepared statement of Ms. Gowen follows:]

WRITTEN STATEMENT OF
DIANA GOWEN
SENIOR VICE PRESIDENT AND GENERAL MANAGER
QWEST GOVERNMENT SERVICES, INC.

Before the
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

Thursday, May 20, 2010

Good Morning. Chairman Towns, Ranking Member Issa, and members of the committee: My name is Diana Gowen and I am pleased to address the committee on the important matter of the transition from the General Services Administration (GSA) Federal Technology Services' FTS2001 Program (FTS2001) to Networx. I am the Senior Vice President and General Manager of Qwest Government Services, Inc. (QGSI) the wholly owned subsidiary of Qwest Communications International Inc. - a Fortune 200 company with more than \$12 billion in 2009 revenues. We are exclusively dedicated to providing services to the United States Government. We are an awardee of both Networx Universal and Networx Enterprise contracts. As you may have heard in the news recently, Qwest is merging with CenturyLink. The merger will be a combination that enhances the national breadth and local depth of Qwest's communications assets.

By way of background, Networx, with a ceiling of \$68 billion across eight contracts and five companies, represents the largest telecommunications acquisition ever awarded by the federal government. It is a key technology program for both GSA and industry, delivering basic and advanced communications and information technology solutions that improve our government's ability to serve the American public. Without these vital solutions, Qwest customers such as the National Aeronautics and Space Administration (NASA) and the Department of Veterans Affairs would not enjoy the benefits of high speed broadband network solutions that support the Space Station's scientific collaboration as well as patient care

in service to our nation's veterans. These communication and IT services are enabling the Department of Homeland Security (DHS) to fulfill its strategic training goals for border patrol agents and the State Department to deliver its foreign policy information on domestic and international websites. Clearly, the Networx program is a critical influence in the development and growth of the nation's network and computing infrastructure; these are but a few examples of the agencies we serve today who are reaping the benefits of the Networx consolidated acquisitions -- commercially available communications services delivered at lower cost and with greater efficiency than acquisitions by individual agencies.

I'm here to address five questions concerning the progress made to date on Networx transitions. Let's start with some of the root causes of the Networx transition failure.

First, the government stated it wanted Networx to be more innovative, cost effective, and transformative than prior GSA contracts. Industry welcomed this change. Unfortunately, to accommodate these goals, the Networx contracts were so vastly different from the two predecessor programs that agencies had to learn a new complex price and service structure while updating their inventory of services. With a loss of key contracting and technology staff, heightened focus on the Office of Management and Budget (OMB) compliance issues and a 42-month extension of FTS2001, Networx transition fell to the bottom of the pile. 'Incumbentitis' and status quo set in, and agencies heaved

a sigh of relief, let inventory records grow stale and had no incentive to plan or move forward.

Even for agencies that started the process shortly after award of Networx -- the Department of Treasury with TNet and DHS with OneNet -- and who have long ago made decisions on their suppliers, transition is still not complete. And there are long awaited data network awards still forthcoming from the Departments of Agriculture, Defense and the Social Security Administration, to name a few.

All of the issues could have been overcome if GSA had simplified the procurement process and helped individual agencies, including providing a means to avoid the sustained 10 protests. After three years and almost a billion dollar loss of savings accruing at \$20 million dollars per month, a lot of technical and contracting help could have been provided for the cost of doing nothing.

These problems have been largely ignored by several oversight agencies since the award of the Networx contracts more than three years ago. OMB, GSA, the Government Accountability Office (GAO), and the Chief Information Officers (CIO) Council should not feel good about where we are.

And while the pre-award procurement phase of the Networx program received extensive oversight and participation by congressional, government and industry leaders, the pre-award transition planning and program execution did not receive that same focused level of attention. There has

been no sense of urgency attached to transition and no priority placed on updating asset inventory records, making it difficult for the government to define its baseline requirements and convert inventory records into post-award service orders. Each agency has been left to decide how, when and if they would place task orders against the Networx contracts.

Exacerbating all of the above were two critical choices GSA made in 2006, before Networx was awarded. First the decision was made to extend the legacy contracts for 42 months. The FTS2001 contracts marched full speed ahead with no line in the sand stopping new orders. In fact, recently FTS2001 has more new orders than Networx. At the same time, GSA offered agencies incentives through transition credits, yet continued to extend the transition credit deadlines, with the unfortunate effect of institutionalizing and reinforcing the practice of poor planning.

Secondly, GSA's decision to measure transition progress by a flawed metric -- counting widgets rather than revenue -- charted an illusion of progress.

It's an illusion where agencies have forfeited much in taxpayer savings and foregone the opportunity to fund important new mission-critical and citizen-impacting initiatives, like cyber security, an unfunded mandate that could have been funded from the savings generated by the new contracts.

Second, you asked about the Procurement Process.

The government's fundamental concept of acquiring telecommunication goods and services from the private sector has remained philosophically intact over the last two decades, even as the evolution of the telecommunications landscape shifted radically from separate local and long distance companies to today's next generation of broadband communication integrators.

And as the industry landscape changed, so too did GSA's procurement method for deciding which telecommunication carrier would provide service to which agencies. The procurement process has evolved from a mandatory source of supply in the late 1980s where agency users were assigned by GSA between two service providers, to FTS2001 where GSA provided agencies a choice in which carrier would serve them, and finally to Networx, where Fair Opportunity became more formalized and the choices expanded to two separate contracts and five carriers.

Whereas under FTS2001 there were only two agencies, the Departments of Agriculture and Justice, and they conducted elaborate Fair Opportunity competitions with Statements of Work (SOWs), with both of those competitions conducted after transitions had been completed. Under Networx, the procurement process has become too complex with too few knowledgeable procurement and technical resources. Agencies have been unable to make Fair Opportunity decisions quickly.

Through the end of April 2010, 30% of the agency selection decisions have been made using the SOW process, the most protracted procurement method available to agencies. Additionally, rather than transition like for like services as GSA expected, agencies have opted to transform, developing far-reaching and complex procurements. This choice coincided with the passage of the 2008 Defense Appropriations Bill, which changed the rules of engagement on Task Order protests.

Unfortunately, agencies did not conduct their Fair Opportunities with the rigor one would expect in a FAR Part 15-like procurement. The result was, as I mentioned earlier, 10 protests which were all sustained. Trepidation around protests became the focus rather than simplifying the SOWs and making the evaluation criteria more straightforward, adding further delays. Agencies should have simply developed their SOWs and evaluation criteria and rigorously evaluated against them.

The fallout for industry has been the inability to reliably forecast workload.

The fallout for the government and the taxpayer is that most cabinet-level agencies' data networks have not been awarded, much less transitioned: the Departments of the Interior and Agriculture, Health and Human Services, Social Security Administration, and all administrative data networks for the Department of Defense (Internet Services, Private Line Services, Wide-area Data Networks, and the

National Guard's Network) all remain to be awarded or awarded without protest. These networks represent the bulk of the dollars that need to end billing on FTS2001 and be transitioned to Networx. There is \$1 billion left to be transitioned from FTS2001 to Networx, as of April 2010 GSA data.

Has Qwest assisted in Networx Transition?

Yes. Qwest has made a very significant investment in this process – tens of millions dollars in people and tools -- for proposal, contracting, program management, staff training, and educating agencies on Networx contract services, features and benefits. Despite all of this investment, when agencies are finally able to make Fair Opportunity decisions and make an award, they then struggle to provide accurate inventories and get on with transition.

What steps would expedite transition?

As we prepare for the bow wave of orders to meet this latest GSA-imposed deadline, I would offer that increased agency/industry dialogue, pricing comparisons or requests for pricing quotations would speed the process; and if proposals are necessary, make them oral. The use of SOWs should be eliminated. Instead, agencies should conduct more thorough market research and use all available tools, including business-to-business systems, for initial analysis. Awards should be based on standard Networx offerings; avoid customization; bundle services; and transition like for like and transform later. For those

agencies that have proposals in hand, evaluation criteria should be followed and a decision should be made. Then agencies should build a project timeline and stick to it. Implementation staff should be held accountable.

Secondly, other stakeholders such as GSA might want to focus on what they do best. For instance, GSA should assign acquisition resources to partner with each agency throughout the procurement process and then reward these professionals for developing customer relationships that translate into success. Or, GSA could use its interagency agreements to enforce schedules and consequences for schedule delays. Or, the Interagency Management Council (IMC) could elevate this program to critical status and publish progress reports on publicly available dashboards. Even OMB and/or the Office of Procurement Policy could hold agencies accountable for accurate asset management by using its budgeting power to wield telecom savings through agency consolidation of local/long distance, data/voice resources and by addressing outsourced overhead functions that drive increases in telecom budgets (e.g., inherently governmental integration functions).

What has been working well?

I am encouraged by GSA Administrator Martha Johnson's focus on transparency, innovation, operational excellence and customer intimacy. In the long term, this vision will push GSA to make better customer support decisions. Short term, we need GSA's continued collaboration with OMB, the CIO Council and IMC leadership.

In summary, the consequences of the delays to industry cannot be ignored.

There is real economic harm. We need oversight by agencies, GSA, OMB, and the legislative branch to create a sense of urgency. The cost of Networx bids and proposals for these extended Fair Opportunities and the subsequent delays in transition are leading to a 'death spiral' of costs chasing declining revenues and profitability. In the long term, industry could lose faith that GSA can effectively manage Government-wide Acquisition Contracts (GWACs) and, likely, deep volume discounts will disappear. Industry needs a fair recovery and confidence that the government will robustly engage with the Networx program in the future.

We recommend Congress and OMB encourage GSA to extend the Networx contracts for an additional five years and to freeze the rate structure at today's contract year-three rates until at least 80% of the dollars on FTS2001 have been moved to the Networx contract.

A final note: OMB's Trusted Internet Connection (TIC) initiative resulted in a strategic modification being sent to the Networx contractors to provide Managed Trusted Internet Protocol Services (MTIPS) through Networx. So, although we had yet to realize any return on the initial investments under Networx, and despite the transition delays we've discussed, industry, at GSA's behest, has spent millions again to accommodate the need and provide a

solution for the nation's cyber security needs and initiatives. Results to date? Little to no transition, despite the OMB mandate. What's the penalty for agency non-performance? None to date. Many agencies are trying to build their own solutions when a commercial solution already exists that could satisfy their needs today.

It is time to make some basic changes to ensure the government gets the best deal, industry is treated fairly, and agencies get the chance to transform to modern technology at world-class pricing.

I thank you for the opportunity to present Qwest's views on this important program, and I look forward to your questions.

¹ Part 16 of the Federal Acquisition Regulation (FAR) gives broad discretion to make Fair Opportunity decisions, but when the results of the transition to Networx are objectively viewed, despite the efforts on the part of GSA and OMB, the agencies have not been tutored enough in how to transition or the agencies have ignored good advice. SOWs are unique and complex, and have taken an inordinately long time to develop, and often an even longer time to evaluate and eventually award.

Chairman TOWNS. Thank you very much for your testimony.
Mr. Morche.

STATEMENT OF EDWARD MORCHE

Mr. MORCHE. Good morning, Chairman Towns, Ranking Member Issa, and members of the committee. As a Networx carrier, Level 3 Communications would like to thank you for the opportunity to testify about the delays in implementation of the Networx contract.

My name is Edward Morche, and I am the senior vice president of Level 3's Federal Markets Group.

Broadly speaking, there are five major work elements involved within the transition process. Agencies must: one, obtain the current inventory of their services; two, choose between the Networx enterprise or universal contract; three, convert their legacy inventory to Networx-based CLINs; four, conduct fair opportunity; and, five, evaluate the carrier responses.

Each one of these steps affects an agency's resources and has the potential to introduce delays to the process. It is the opinion of Level 3 Communications that these principles could be minimized through a combination of the following principles: A, reduce agency workload where possible by out-sourcing actions to the carriers; B, parse out the services to be transitioned into narrower scopes; and, C, eliminate as many decision points as possible.

For many agencies, obtaining an inventory of current services is a time-consuming and difficult task. It is further exacerbated by the fact that services are continually evolving as the needs of agencies change. As a result, it is very challenging to assemble an inventory that is 100 percent complete and accurate.

Rather than seeking to establish a comprehensive inventory prior to transitioning services, agencies could focus on gathering information that is easily available and then use that sub-set of information to perform fair opportunity. This incremental approach to transition will also build necessary skills at every step in the process through repetition and experience.

For the first time ever, agencies are now required to choose between two contract vehicles, either a Networx enterprise or Networx universal. In an effort to eliminate as many decision points as possible, agencies could be instructed to use both contracts simultaneously or, alternatively, they could be instructed to use the more competitive Networx enterprise contract as the default contract vehicle.

For all intents and purposes, there are no differences between the two contracts except that Networx enterprise has more vendors and, for most services, lower prices. In fact, the Networx enterprise contract supports 96 percent of the total number of services offered, while Networx universal has only 92 percent of the services.

Furthermore, an analysis of pricing on the public Networx unit pricer shows that agencies can realize substantial savings on the most popular services by using the more competitive Networx enterprise contract. I have included specific examples in my written testimony.

Making Networx enterprise the default contract could save the Government an incremental \$1 billion over the 10-year life of the

contract. Despite these facts, the vast majority of fair opportunity awards have been made under the Networx universal contract.

Converting legacy information to the Networx CLIN structure could easily be outsourced to the carriers. All five of the Networx carriers have personnel with expertise in taking basic network configuration information and putting that into the framework that is required to provide it “under Networx.”

In regards to the fair opportunity process, agencies could eliminate the decision on whether or not to use the unit pricer by issuing requests for proposal to all five of the Networx carriers and let the carriers do the work of putting together the best price solutions to meet the Government’s needs.

Delays in the evaluation phase of transition can be reduced by making the award process simpler and establishing lowest price as the single and only decision criterion. All five Networx carriers have been vetted by GSA and offer the same set of well-defined services with common service level agreements. As a result, agencies could use a single decision criterion to make their selection.

In closing, Level 3 Communications believes that each step in the transition process could be accelerated in the following ways: one, parsing out the legacy service inventories into smaller pieces; two, making Networx enterprise the default contract or issuing all requirements on both contracts simultaneously; three, using the expertise that exists within the carriers to translate legacy service information into Networx CLINs; four, issuing all requirements as requests for proposal; and, five, establishing lowest price as the sole decision criterion for transition.

Level 3 Communications would like to thank the committee for the opportunity to testify, and we look forward to answering any questions.

[The prepared statement of Mr. Morche follows:]

Testimony of Edward Morche, Senior Vice President, Federal Markets, Level 3 Communications
before the House Committee on Oversight and Government Reform
Thursday, May 20, 2010

Chairman Towns, Ranking Member Issa, and Members of the Committee, thank you for the opportunity to testify before your committee about the implementation of the Networx contract.

Level 3 Communications is one of the world's largest and most advanced internet service providers. Level 3 is consistently ranked as the most connected Internet Services Provider (ISP) in North America, Europe and Asia¹. Level 3 operates a highly diversified fiber optic network that is state-of-the-art, secure, redundant and fully upgradeable. Level 3 provides telecommunications services to the federal government under a number of different contracts, including Networx Enterprise.

Three years ago, in March and May of 2007, the General Services Administration (GSA) announced the Networx contract awards replacing the FTS 2001 contracts which provide telecommunications services to the federal government. Networx is comprised of two separate contract vehicles— Networx Universal and Networx Enterprise. The intent of Networx Universal was to offer traditional telecommunications services, and was awarded to three carriers-- AT&T, Qwest and Verizon. The Networx Enterprise contract vehicle was originally focused on new Internet Protocol based, next generation services and was awarded to Level 3 Communications and Sprint, as well as the three Networx Universal carriers. Over time these two contracts have become virtually identical in terms of the range of services offered.

Mr. Chairman, you have properly identified the delay in transitioning from FTS 2001 to Networx as an urgent issue demanding oversight by your committee.

Today, 80 percent of federal government expenditures are still served on the FTS2001 contract three years after the first Networx awards were made². According to GSA estimates, the federal government has lost \$650-\$750 million in potential savings by not transitioning to the cheaper Networx contract vehicles. Thus, the federal government faces additional losses unless the pace of transition is accelerated.

GSA's initial transition deadline was June, 2010 to coincide with the expiration of FTS2001 bridge contracts. However, GSA has already found it necessary to extend the target date to June, 2011. The 2011 target date will cost the government an additional \$250-\$350 million in potential savings. Considering that 46% of Fair Opportunity decisions are still outstanding² despite a target date of September 30, 2008, it seems highly unlikely that the June 2011 target date will be reached, resulting in additional delay and lost savings.

¹ <http://www.renesys.com/blog/2009/12/a-bakers-dozen-in-2009.shtml>

² GSA Networx Day presentation http://www.gsanetworkservices.org/networxday/presentations/Krumbholz_Networx_Day_final.pdf

Broadly speaking, there are five (5) major work elements involved within the transition process.

Departments and agencies must:

1. Obtain the current inventory of their services;
2. Choose between the Networx Enterprise or Universal contracts;
3. Convert their legacy inventory to Networx based CLINs (Contract Line Item Numbers);
4. Conduct fair opportunity (either with the "unit pricer" or via SOW/RFP/RFQ);
5. Evaluate the carrier responses.

Each one of these steps affects an agency's resources and has the potential to introduce delays to the process. It is the opinion of Level 3 Communications that these delays could be minimized through a combination of the following principles:

- a) Reduce department and agency workload where possible and outsource actions to the carriers;
- b) Parse out the services to be transitioned into smaller, narrower scopes;
- c) Eliminate as many decision points as possible.

Applying these principles to each of the transition process steps yields a number of recommendations:

For many departments and agencies obtaining an inventory of current services is a time consuming and difficult task. It is further exacerbated by the fact that services are continually evolving as the needs of departments and agencies change. As a result it is very challenging to assemble an inventory that is 100% complete and accurate.

Rather than seeking to establish a comprehensive inventory prior to transitioning services, departments and agencies could focus on gathering information that is easily available. Inventory could then be grouped by region, service, sub-agency, or location to facilitate a more manageable scope. This incremental approach to transition will also build necessary skills at every step in the process through repetition and experience.

For the first time ever, agencies are now required to choose between two contract vehicles – either Networx Enterprise or Networx Universal. In an effort to eliminate as many decision points as possible, departments and agencies could be instructed to use both contracts simultaneously or alternatively, they could be instructed to use the more competitive Networx Enterprise contract as the default contract vehicle.

The Networx program offers 51 services to departments and agencies. The technical specifications, features, performance and service level agreements that are common to both contracts are exactly the same (refer to Exhibit 1). For all intents and purposes, there are no differences between the two contracts except that Enterprise has more vendors and, for most services, lower prices. In fact, the Networx Enterprise contract supports 96 percent of the total number of services offered while Networx Universal has only 92 percent.

Despite the facts above, the vast majority of Fair Opportunity awards have been made under the Networx Universal contract³. Departments and agencies have generally not availed themselves of the greater choice of vendors afforded by Networx Enterprise, or in general, the lower costs.

There is ample evidence that Networx Enterprise benefits from the greater competition associated with having five available vendors, rather than just three. Departments and agencies continue to choose the less competitive and more expensive Networx Universal contract.

For instance, Level 3 Communications has been informed that the Defense Information Systems Agency (DISA) has chosen the Networx Universal contract to compete its requirement for Internet Protocol Services (IPS).

I have included in my testimony current (May 2010) Internet Protocol Service (IPS) pricing from the public Networx Unit Pricer <http://releasedprices.networx.gov/>. This table compares the pricing of Internet Protocol Service (IPS) on both contracts for a range of bandwidth options. Our analysis shows that departments and agencies can realize substantial savings by using the more competitive Networx Enterprise contract. As an example, departments and agencies can save 25 percent on the most the most frequently purchased bandwidth option (Dedicated T1).

Table 1: Pricing Comparison of Internet Protocol Service (IPS)
Networx Enterprise vs. Networx Universal

IPS	Networx Universal			Networx Enterprise				
	AT&T (Univ)	MCI (Univ)	Qwest (Univ)	AT&T (Ent)	Level3 (Ent)	MCI (Ent)	Qwest (Ent)	Sprint (Ent)
Ethernet 10M	\$1,391	\$1,341	\$758	\$1,391	\$534	\$1,341	\$758	\$1,586
Ethernet 100M	\$5,029	\$5,473	\$4,391	\$5,029	\$2,504	\$5,473	\$4,391	\$1,947
Ethernet 1G	\$23,005	\$25,656	\$19,259	\$23,005	\$11,556	\$25,656	\$19,259	\$23,176
Dedicated T1	\$182	\$229	\$194	\$182	\$136	\$229	\$194	\$171
Dedicated T3	\$1,819	\$1,945	\$1,731	\$1,819	\$1,517	\$1,945	\$1,731	\$1,642
Dedicated OC3	\$5,885	\$5,423	\$3,778	\$5,885	\$4,478	\$5,423	\$3,778	\$5,046
Dedicated OC12	\$14,980	\$13,804	\$9,574	\$14,980	\$11,980	\$13,804	\$9,574	\$13,390
Dedicated OC48	\$53,500	\$41,277	\$44,370	\$53,500	\$33,705	\$43,870	\$44,370	\$39,593
Dedicated OC192	\$267,500	\$170,227	\$110,926	n/a	\$96,568	\$243,840	\$110,926	\$157,307

The lowest cost provider for each bandwidth option is highlighted in yellow. This shows that for all bandwidth options considered, the 5 vendors on the Enterprise contract offer the same or better pricing than the 3 vendors on the Universal contract.

The cost savings benefit exhibited for Internet Protocol Service (IPS) on Networx Enterprise is repeated for service after service. I have also included in my testimony current pricing for Network Based Internet Protocol Virtual Private Network Service (NB-IPVPNS) – one of the most popular data services that departments and agencies purchase for their internal Wide Area Networks (WAN) requirements.

³ <http://www.gsa.gov/graphics/fas/TransitionStatusToNetworxFTS2001Feb2010.ppt>

Table 2: Pricing Comparison of Network Based
Internet Protocol Virtual Private Network Service (NB-IPVPNS)
Networkx Enterprise vs. Networkx Universal

NB-IPVPN	Networkx Universal			Networkx Enterprise				
	AT&T (Univ)	MCI (Univ)	Qwest (Univ)	AT&T (Ent)	Level3 (Ent)	MCI (Ent)	Qwest (Ent)	Sprint (Ent)
Ethernet 10M	\$1,241	\$1,092	\$871	\$1,241	\$705	\$1,092	\$871	\$1,343
Ethernet 100M	\$5,136	\$3,196	\$4,012	\$5,136	\$3,483	\$3,196	\$4,012	\$3,721
Ethernet 1G	\$23,540	\$19,552	\$19,720	\$23,540	\$16,917	\$19,552	\$19,720	\$23,035
Dedicated T1	\$192	\$219	\$223	\$192	\$144	\$219	\$223	\$181
Dedicated T3	\$1,919	\$1,898	\$2,024	\$1,919	\$1,439	\$1,898	\$2,024	\$1,732
Dedicated OC3	\$6,209	\$4,955	\$4,353	\$6,209	\$4,179	\$4,955	\$4,353	\$5,316
Dedicated OC12	\$15,239	\$12,161	\$10,481	\$15,239	\$11,941	\$12,161	\$10,481	\$13,754
Dedicated OC48	\$53,500	\$44,298	\$49,974	\$53,500	\$39,002	\$44,298	\$49,974	\$47,842
Dedicated OC192	n/a	\$165,121	\$124,934	n/a	\$98,632	\$165,121	\$124,934	n/a

The lowest cost provider for each bandwidth option is highlighted in yellow. This shows that for all bandwidth options considered, the 5 vendors on the Enterprise contract offer the same or better pricing than the 3 vendors on the Universal contract.

Based on Level 3 Communication's analysis of the publically available pricing information, making Networkx Enterprise the default contract could save the government an incremental \$1 billion over the 10 year life of the contract.

The third step in the transition process is converting legacy inventory information to the Networkx CLIN structure. All five of the Networkx carriers have personnel with expertise in taking basic network configuration information and putting that into the framework that is required to provide a quote under Networkx. Therefore this transition activity could easily be outsourced to the carriers.

In regards to the fair opportunity process, departments and agencies could eliminate the decision on whether or not to use the unit pricer by issuing SOWs/RFPs/RFQs to all five of the Networkx carriers and let the carriers do the work of putting together the best priced solutions to meet the government's needs. This approach has the added benefit of ensuring that all the carriers are actively engaged in pricing the services that are needed and it encourages the carriers to be more aggressive and responsive to the needs of the government.

Delays in the evaluation phase of transition can be reduced by making the award process simpler and establishing "lowest price" as the single and only decision criterion. The goal of transition is to move services on a like-for-like basis from FTS2001 to Networkx as quickly as possible. All five Networkx carriers have been vetted by GSA and offer the same set of well defined services with common service level agreements. As a result, departments and agencies could use a simplified decision criterion to make their selection. This would eliminate much of the complexity present in the evaluation phase of the transition process.

In closing, Level 3 Communications believes that each step in the transition process could be accelerated in the following ways:

1. Parsing out the legacy service inventories into smaller pieces.
2. Making Networx Enterprise the default contract or issuing all requirements on both contracts simultaneously.
3. Using the expertise that exists within the carriers to translate legacy service information into Networx CLINS.
4. Issuing all requirements as SOWs/RFPs/RFQs.
5. Establishing "lowest price" as the sole decision criterion for transition.

Level 3 Communications would like to thank the Committee for the opportunity to testify and we look forward to answering any questions.

Exhibit 1

Service Comparison: Network Universal vs Network Enterprise

	Universal	Enterprise
Telecommunications Services		
Communications Transport		
Voice	Y	Y
Circuit Switched Data	Y	Y
Toll-Free	Y	Y
Combined	Y	Y
Private Line	Y	Y
Frame Relay	Y	Y
Asynchronous Transfer Mode	Y	Y
Ethernet	Y	Y
IP Based		
Premise Based IP VPN	Y	Y
Network Based IP VPN	Y	Y
Voice over IP Transport	Y	Y
Content Delivery Network	Y	Y
Converged IP	Y	Y
IP Telephony	Y	Y
Internet Protocol	Y	Y
IP Video Transport	Y	Y
Layer 2 VPN	Y	Y
Optical		
Synchronous Optical Network	Y	Y
Optical Wavelength	Y	Y
Dark Fiber	Y	Y
Wireless Services		
Cellular PCS	Y	Y
Multimode Wireless	Y	Y
Cellular Digital Packet Data	Y	Y
Paging	Y	Y
Management and Application Services		
Video Teleconferencing	Y	Y
Managed Network	Y	Y
Audio Conferencing	Y	Y
Teleworking Solutions	Y	Y
Call Center/Customer Contact Center	Y	Y
Web Conferencing	Y	Y
Dedicated Hosting	Y	Y
Collocated Hosting	Y	Y
Storage	Y	Y
Customer Specific Design and Engineering	Y	Y
Unified Messaging	Y	Y
Collaboration Support	Y	Y
Internet Facsimile	Y	Y
Security Services		
Managed Firewall	Y	Y
Intrusion Detection and Prevention	Y	Y
Managed E-Authentication	Y	Y
Vulnerability Scanning	Y	Y
Anti-Virus Management	Y	Y
Incident Response	Y	Y
Secure Managed Email	Y	Y
Managed Tiered Security	Y	Y
Special Services		
Land Mobile Radio	Y	Y
Mobile Satellite	Y	N
Fixed Satellite	Y	N
Access Services		
Wireline Access	N	Y
Broadband Access	N	Y
Wireless Access	N	Y
Satellite Access	N	Y

Chairman TOWNS. Thank you very much, Mr. Morche, for your testimony.

Mr. Herring.

STATEMENT OF DON HERRING

Mr. HERRING. Good morning. Thank you, Mr. Chairman, Ranking Member Issa, and members of the committee, for the opportunity to share AT&T's observations about Networx transition.

I am Don Herring, and as the leader of AT&T's Federal Government business I am actually energized by the potential of Networx to transform the way the Government operates and interacts with its citizens.

AT&T, as you may know, is a premier supplier of global network and information services. We bring a highly reliable, resilient, and secure network infrastructure to support the advanced needs of our worldwide customer base. The AT&T business unit that I am fortunate enough to lead, AT&T Government Solutions, relies on talented staff members who focus on the IT needs of the Federal Government. This team of AT&T professionals is committed to the success of Networx.

Transitions the size and scope of Networx are demanding, but we have a vast base of both commercial and government experience to accomplish these efforts in a timely fashion. AT&T is already transforming several agencies' networks to secure and cost-effective technologies. At one agency, for example, we are deploying a virtual private network to over 250 remote locations, and together we are exploring the addition of wireless sensors and satellite enhanced mobility services.

At another agency, we were selected to transform its entire communications network of over 1,000 agency sites to deliver technologies ranging from traditional voice to secure data networks to mobility services.

And at another agency we are providing cloud-based information distribution services to improve their constituent communications.

The scope and scale of Networx allows us to deliver the full range of AT&T's innovative technology and services to the Federal Government.

Networx transitions have an extraordinary number of moving parts that require rigorous coordination. This is true regardless of the network's size or scope, and it is not a small task for agency procurement and CIO teams. In many cases the challenges faced by the transition teams have been compounded by external factors that demand attention and divert agencies' resources away from Networx.

Cybersecurity, improved transparency, and social media policies to support a more-connected and mobile employee base are extremely important, as they enable us to deliver today's and tomorrow's technology to the Government. However, these efforts do impact the time, resources, and expertise that can be directed to the Networx effort.

Agency staffing complications also impact Networx transition. Because transition efforts of this magnitude are a once-in-a-decade occurrence, many agencies lack the staffing resources necessary to

manage the technical and logistical details associated with an agency-wide transition.

There are, however, steps that can be taken to quicken the pace of Networx transition. To reduce risks associated with the anticipated surge in orders as the deadline approaches, agencies, GSA, and Networx service providers should coordinate to develop and adhere to specific, disclosed, and harmonized time tables for releases of requests for proposals and subsequent awards.

Second, supplementary resources should be provided to agency teams that are struggling to make and implement informed choices as they move to Networx. To that end, the Government should consider dedicating resources to support transition, whose responsibilities include: one, establishing a centralized pool of experts to deploy within agencies to manage and complete transition; two, working directly with individual agencies to craft detailed transition strategies with contingent milestones; and, three, creating a repository of agency strategies and schedules to share with other agencies and industry.

Finally, we recommend the Government consider providing incentives to agencies to create comprehensive transition plans and adhere to them. Specifically, we suggest the Government review the timing and the structure of the transition reimbursement credit program to support thoughtful agency transition planning and execution. This recommendation should in no way be interpreted as an effort to slow transition, but rather to reflect our strong belief that an improved planning process should ultimately speed transition.

In summary, there is a great deal to be gained from Networx. Significant financial efficiencies, enhanced technology services, Government operations transformation, and AT&T is committed to the success of Networx.

Thank you, Mr. Chairman, for holding this important hearing. I am happy to take any questions.

[The prepared statement of Mr. Herring follows:]

Statement of Donald Herring
Senior Vice President, AT&T Government Solutions
before the
House Committee on Oversight and Government Reform
May 20, 2010

Chairman Towns, Ranking Member Issa, and Members of the Committee, I am Don Herring, and I thank you for the opportunity to share AT&T's observations about Networkx transition. As the leader of AT&T's Federal government business, I am energized by the promise the Networkx program holds for the Federal government. As agencies transition to Networkx, they will see dramatic reductions in cost and improvements in their network services. Networkx also offers enhanced technology services with the power to transform the way government operates and interacts with citizens. AT&T is fully prepared to support government through transition, and it is my hope that together, we can accelerate the promise of Networkx as quickly as possible.

AT&T is a premier supplier of global network and information services, and we have built a highly reliable, resilient, and secure network infrastructure to support the advanced needs of our world-wide customer base. Our intelligent network is an integral part of our industry-leading cyber security capabilities, and these capabilities are available to Government Agencies via Networkx.

In our experience, transitions the size and scope of Networkx are demanding, but we have a vast base of both commercial and government experience to accomplish these in a timely fashion.

We made a large corporate commitment to Networx, and we have the skills, expertise, and resources to move forward with our Government customers.

AT&T is presently transforming several agencies' communications infrastructure to secure and cost-effective technologies. For one agency, we are deploying a virtual private network to over 250 remote locations. We are also working with that agency to explore the addition of wireless sensors and satellite-enhanced mobility services. Another agency has selected AT&T to transform their entire communications network of over 1000 agency sites to deliver technologies ranging from traditional voice, to secured data networks, to mobility services. Finally, at another agency, we are providing cloud based information distribution services to fundamentally improve their constituent communications. The scope and scale of Networx allows us to offer innovative technology and services to the Federal Government. The promise of Networx is powerful.

What is causing the continued delay in the transition to Networx?

To successfully transition an agency to a new service platform, there are an extraordinary number of moving parts that require a tremendous level of coordination. Regardless of the size or scope of the network, transition begins within the agency as they prepare for procurement by: (1) creating a comprehensive inventory, (2) assessing network needs, (3) determining budget and designing network requirements, (4) establishing clear, measurable evaluation criteria, and (5) writing a statement of work that contains cohesive management, technical and financial requirements. After evaluating the vendor responses and conducting discussions, the agency issues an award. Post award, vendors and agencies collaboratively prepare for the transition of

the network by validating the agency's pre-award network assessments and developing the plan to apply the vendor solution at each agency location and to meet the agency's specific mandates and requirements.

In many cases, transition challenges have been compounded by significant, important, external factors that demand attention and siphon agency resources from Network activities. Since the award of the Network contracts, a substantial but necessary shift has taken place in the emphasis and technical requirements associated with securing our Nation's cyber infrastructure. Federal Chief Information Officer (CIO) organizations are dealing with the transition to IPv6, the Managed Trusted Internet Protocol Service (MTIPS), Trusted Internet Connection (TIC) program, as well as attempting to take advantage of cloud based infrastructure and services, all at the same time. In addition, new Federal Information Security Management Act (FISMA) mandates have been issued. On Network, AT&T has moved aggressively to implement MTIPS capabilities to help protect Federal networks from malicious traffic and to comply with these mandates.

Agencies are also wrestling with social media policies while at the same time supporting a more connected and mobile employee base. In parallel, agencies are striving to provide more transparency and much greater volumes of information to American citizens. These are competing, and sometimes conflicting, demands that require an unprecedented level of technical and policy interaction. These additional priorities are vital and beneficial as they enable us to deliver today's and tomorrow's technology to the government.

Agency staffing complications also impact Networx transition. As with any incoming administration, the recent change left many agencies operating under acting leadership for a period of time, the natural consequence of which was delays in decision making. Further, we continue to observe staff shortages in many agency CIO and procurement shops. Because transition efforts of this magnitude are a once-in-a-decade occurrence, many agencies are still developing the staffing resources necessary to manage the technical and logistical detail associated with an agency-wide transition.

What problems does your company encounter in the Networx program's procurement process?

The Federal procurement process is constantly evolving and complex; opportunities for improvement are not exclusive to Networx. We have occasionally seen inconsistency in agency evaluation of vendor proposal responses against the corresponding proposal evaluation criteria. Once Request for Proposal (RFP) responses are submitted, agency decisions are often delayed well past the originally scheduled award date, resulting in outdated transition schedules, stale technical requirements, and delayed savings for the government. AT&T has at times also faced a lack of detailed information in agency post award debriefings, leading in some instances to otherwise avoidable protests.

One issue specific to Networx is the unpredictability of procurement activity. To date, Networx proposal activities have been manageable, however, as the transition deadline approaches our concern is that without coordination, there will be a surge that strains vendor resources across the board. Now more than ever, the agencies and GSA should coordinate to establish and adhere to

specific timetables for releases of RFPs and subsequent awards. With predictability comes the ability of agencies and vendors to staff and support their transitions.

What steps has your company taken to assist in the transition effort and expedite the transition?

When AT&T participates in agency level procurements, we strive to meet requested timelines and deliverables, and actively engage with the agencies as appropriate. AT&T constantly refines our processes to better serve the agencies by leveraging important factors of success from one transition to subsequent efforts.

Our Programs and Contracts teams are in regular communication with the GSA, discussing the progress of transition. Early on, we established a methodology with GSA to submit, review, and implement contract modifications. We actively work with GSA to create and refine processes for modifying the Networx contract to add new and custom services, new prices, and new locations. To date, we've completed over 400 modifications to Networx in order to meet the unique requirements of the many agencies we serve. As a result of our efforts, we've had relatively few problems with contract modifications, and our working relationship with GSA's Program Office is excellent.

What steps should the GSA, Federal agencies, and other stakeholders take to expedite the transition to Networx?

First, efforts should be made to reduce risks associated with the anticipated surge in orders as the Networx transition deadline approaches. Now more than ever, the agencies, GSA, and Networx

service providers should coordinate to provide and adhere to specific, disclosed, and harmonized timetables for releases of RFPs and subsequent awards.

Second, supplementary resources should be provided to agency teams that are struggling to make and implement informed choices as they move to Networx. To that end, the government might consider dedicating resources to support transition. The responsibilities of those resources might include: (1) establishing a centralized pool of experts to deploy within agencies to manage and complete transition; (2) working directly with individual agencies to craft detailed transition strategies with contingent milestones; and (3) creating a repository of agency strategies and schedules to share with other agencies and industry. The government may accelerate transition overall if additional support were available for more fundamental transition functions. With enhanced support in line with this recommendation, agencies would have the essential tools to build and implement successful transition plans. Access to a centralized repository of plans and schedules would also afford industry a greater opportunity to plan to better provide services to the government.

Finally, we recommend the government consider providing incentives to agencies to create comprehensive transition plans and adhere to them. Specifically, we suggest the government review the timing and the structure of the transition reimbursement credit program to support thoughtful agency transition planning and execution. As structured today, agencies must submit Networx orders by a given deadline (now August 31, 2010) to receive transition reimbursement credits. The deadline was designed to encourage agency transition, but to date, we believe that less than \$5 million of the \$111 million available has been dispersed. Instead of linking the

credits to the agencies' placement of orders, those funds could be used to encourage agencies to prepare, with GSA's assistance, detailed transition and transformation strategies. Credits would then be contingent upon an agency meeting and adhering to established milestones. This recommendation should in no way be interpreted as an effort to slow transition, but rather to introduce rigor in to the planning process that should ultimately speed transition.

What has been working well and are there ways that the Federal Government can further capitalize in those areas?

GSA has taken a number to steps to improve the process. As an example, the online data repository established by GSA for Networx – the Networx Hosting Center – works well as a repository for contract information, including modifications and Service Level Agreement (SLA) reports. In addition, the process for updating the contracts to add new services, features, and locations works well. Because GSA anticipated the rapid evolution of technology, they structured the Networx contract to allow it to evolve. This robust paradigm enables the service providers and GSA to constantly supplement the Networx contract to keep technology offerings fresh for agencies.

Agencies should be commended for their flexibility in working through ongoing transitions and their efforts to date to meet the transition deadline.

We are also very encouraged by the emphasis on Networx transition by the Interagency Management Council (IMC). This emphasis highlights the importance to agencies of

collaborating with each other on Networx and other technology efforts. Exchanging lessons learned and best practices can only expand the benefits of Networx in the long run.

Congress should be recognized for their continued oversight of Networx and for drawing attention to the importance of timely transition, including the savings that can be realized by Government.

Conclusion

AT&T will continue to be engaged with the GSA, the agencies, and Congress to realize the potential of Networx. This effort requires participation from all stakeholders, and while we are making solid progress, there is more work to be done. Thank you for the opportunity to share some of AT&T's thoughts on accelerating transition. There is an unprecedented need for secure, robust, and cost-effective communications that meet the diverse requirements of government. There is a great deal to be gained from Networx - significant financial efficiencies, enhanced technology services, government operations transformation - and AT&T is committed to the success of Networx.

Chairman TOWNS. Thank you, Mr. Herring, for your testimony. Let me just, before I move from you, when you mention supplemental and incentives, what do you actually mean by that?

Mr. HERRING. So today agencies are eligible for a transition reimbursement credit from GSA if they submit all of their orders. In fact, there is a deadline now by August 31st of this year. That is an important step in a milestone; however, it is not the only step.

We believe at AT&T that the way you achieve ultimate goals and implement large projects is to break it down into smaller projects, milestones that are held closely, that folks are accountable for, and that you would then incent agencies to meet those many milestones along the way.

So giving orders to the Networx carriers is a very important step. It is not the only step. And I would suggest the Government looks at that so that we can chunk this, if you will, into smaller bites but still get toward the ultimate transition goal of having everything transitioned by June of next year.

Chairman TOWNS. Right. I asked this of the first panel, but let me ask you, too. What is the single greatest thing that we could do today, right now, to speed up this transition? I just want to go right down the line. Why don't I start with you, Ms. Zeleniak?

Ms. ZELENIAK. Thank you. I think it is pretty much come across. Agencies need to dedicate the resources to getting the job done, so I think that the single biggest thing would be to call on those agencies who have to go through transition and have them identify who will be leading their transition and what is the team that they are going to put in place to make it happen.

Chairman TOWNS. Mr. White.

Mr. WHITE. What I would suggest is that, for the agencies that have not made their decisions, to put together their statements of work, get that process going, because that is the front end of the process. Until they make their evaluation on who they want to do business with going forward, nothing else occurs, so I would encourage the agencies to get their paper out to the five carriers and allow us to move forward.

Chairman TOWNS. Ms. Gowen.

Ms. GOWEN. Well, I think I said this in my testimony. I will repeat it. I believe that, first, the agencies do need to make their decision on who their vendor is. They can do that by opening a dialog, by looking at pricing tables, by having pricing bids. If they feel they really have to have a statement of work, have oral responses. That will quicken the process, and then make a decision.

There are many agencies who have responses from us in-house. They have had them in house for months and months. So if they would rigorously follow their evaluation criteria and make a decision, that is a great step forward.

Last, those who have made decisions, if they will put a project plan together, put the resources against it, and stick to it, then we could all be successful.

Chairman TOWNS. All right. Mr. Morche.

Mr. MORCHE. Thank you. Ideally, the agencies outsource as much of the work as possible to the carriers. We have heard quit a bit today about how the agencies are under-resourced with the right kinds of individuals. High-level activities such as converting the ex-

isting CLIN structure for their inventories to the new Networx CLIN structure—

Mr. CONNOLLY. Excuse me, Mr. Chairman. We cannot hear the witness.

Mr. MORCHE. Sorry. Having the carriers do the conversion work from the FTS 2001 contract structure to Networx is something that we are all capable of doing. Encouraging the agencies to not try to complete a 100 percent inventory of the current services but to complete inventories based on regions, based on sub-agencies, based on types of service, and move those out in smaller, more manageable statements of work.

Also, to eliminate the confusion about which contract to use. We believe firmly that more competition is better, but lower pricing is better and that is recognized by Networx enterprise.

Chairman TOWNS. All right. Thank you.

Mr. Herring.

Mr. HERRING. Yes. Thank you, Mr. Chairman. We believe going forward the biggest single thing that could happen is ensuring predictability. That is, when does an agency plan to transition their service from FTS 2001 to Networx. And to get predictability you have to ensure that a full and complete plan is done. Milestones, that is across agency, GSA, and the folks at this table, as well. Predictability will allow all of us to identify where the problems are. A milestone plan will allow us to identify where the future problems will be. I think that will ensure speedy transition, more speedy transition on to Networx.

Chairman TOWNS. All right. Thank you very much.

I now yield 5 minutes to the ranking member, Congressman Issa.

Mr. ISSA. Thank you, Mr. Chairman.

I want to thank you all for being here. I find myself in an odd situation. I recognize that I have the five premier suppliers of telecommunication services in the country, but I have a contract that doesn't seem to match.

Let me just try to go through a couple of questions. We had the GSA here a moment ago. I said nothing ill of them, but perhaps you will.

For Sprint and Level 3, is there any reason that you couldn't provide, if you were allowed to under the "universal contract," the same services the universal contract has? More or less a yes or no. Could you, in fact, bid and meet, under the universal contract, all of its requirements?

Mr. MORCHE. We could.

Mr. ISSA. Mr. White.

Mr. WHITE. We bid universal and we lost that contract some years ago. Currently we hold the Networx enterprise contract and we can provide all the capabilities that are listed on the enterprise contract, which meets the large majority of the requirements of the agencies.

Mr. ISSA. So if I understand correctly, if the GSA simply said you can say I want a universal contract but I want the enterprise prices and terms that you two offer on your enterprise contract, you could do that? You could meet the same prices? I noticed that the other three vendors, they offer the same price on both contracts. Would you do the same, I guess is the real short question?

Mr. WHITE. Sprint would, and I think part of the confusion for the agencies today is that there is duplicity of services. There are also examples where prices for services are not the same, and that has created the structure where there are literally millions of pricing items, which causes a lot of confusion and delays.

Mr. ISSA. Sure. And, of course, I am, like most Members of Congress, given Cliffs Notes of specific examples, so the examples I have in front of me are dedicated, non-dedicated, high-speed broadband lines going from 10 MIP through AT&T. After T3 I never bought anything faster than that, so the rest of them are just kind of interesting to me.

But, Mr. Morche, on behalf of L3, you are, in the case, in my notes, at least, both dedicated and non-dedicated T-1 lines or 1-MIP lines. You are dramatically lower on the Networx enterprise than your competition. You simply are the least expensive. Are those prices good if you were on universal?

Mr. MORCHE. Absolutely. There is no reason for us to have higher pricing.

Mr. ISSA. OK. So one of the questions for this committee to send back to GSA in our followup would be why wouldn't you be allowed to comply with those contracts based on the bid. In other words, say if somebody wants universal, it is all five of you, just as if somebody wants enterprise it is all five of you. From the two of you, that is OK, right?

Mr. MORCHE. Absolutely.

Mr. WHITE. Absolutely.

Mr. ISSA. Well, I have three others here at the table. Is there any reason that the customer that you are now sitting in front of, we are a consumer, too, wouldn't be better off, I'm not sure if your companies would be, if GSA simply said you can choose to have this "universal," but you can still get these other two and their existing prices, no re-bid. Is there any reason that, from my standpoint, that isn't fair for me to try to do? Ms. Gowen.

Ms. GOWEN. There was initially a fundamental difference between Networx universal and enterprise, and Networx universal was supposed to be the continuity of operations contract, had every single thing the predecessor contract had in it.

Mr. ISSA. Yes.

Ms. GOWEN. Enterprise did not. And I don't believe that has changed. So once you got initial transition done, then you could open up the whole idea of merging the contracts.

Mr. ISSA. OK.

Ms. GOWEN. But you would have to get to the point where you had the continuity accommodated.

Mr. ISSA. OK. Then let me go through this. I guess a couple of you have bridge, Verizon and Sprint.

Ms. ZELENIAK. Yes, that is correct.

Mr. ISSA. So people are negotiating bridge contracts right now?

Ms. ZELENIAK. Well, not right now. We are on the bridge contract right now.

Mr. ISSA. You are on the bridge contract.

Ms. ZELENIAK. We are moving to continuity of service.

Mr. ISSA. But they are paying a higher price for it?

Ms. ZELENIAK. They are paying a higher price for some services than Networx.

Mr. ISSA. Why? Why should I pay a higher price for the same service if you have said you can deliver them with a profit at the lower price?

Ms. ZELENIAK. Sure. When we were competing for Networx and we build a lot of our back office systems and processes we put a lot of automation into the process, created tools that are specific for Networx that don't work for FTS 2001. So part of the way of reducing prices was to introduce automation into the process, and so that is one of the reasons clearly why the rates are different.

And in terms of the two different contracts, under Networx universal we had to comply with the requirements for 39 mandatory services. On enterprise I think it was something like 13. So there is a difference on what you were required to do in universal.

The other thing is the prices can change on the contracts all the time, so prices I think, since the contracts have been awarded, have been lowered repeatedly on both contracts. So if an agency really wants to look at all five, they already have enterprise to do it.

Mr. ISSA. I guess I go back to the same question. My time is expiring. Why is it universal really is necessary today? I understand this idea that you bridge once and then you are able to bridge better, but now we are talking about taking until 2011. The contract is half over by the time somebody takes the baby step in some cases. Am I missing something, or is that correct?

Mr. HERRING. If I may, sir?

Mr. ISSA. Yes, sir.

Mr. HERRING. I will give you our opinion on this, as well. I don't believe that the cause of the delay thus far for Networx is caused by having two contracts. I don't think it is a major decision for an agency to decide between A or B, in this case universal or enterprise. Instead, we should really focus the agencies on making that initial decision, not a difficult one on which one to choose. It is in plain black and white on what people can buy and services, what the prices are, and instead concentrate on what are the milestones to get you transitioned to whatever agency and whatever carrier you choose.

Trying to address whether we should have one or two contracts, which is now a 7-year-old issue, takes time away and energy and distraction from really the task at hand for all of us, which is to transition to Networx.

Mr. ISSA. OK. Well, I am going to ask all of you to give me one answer for the record. Be as lengthy and complete as you can. From our standpoint sitting up here, Networx is less expensive, and it is where we are going to. Please answer for the record as completely as possible why this committee should not look toward moving all of Government to a less-expensive, more-competitive solution through interim legislation.

In other words, we are looking and saying you guys are getting these roll-outs fairly slow. We do not have to wait. We do not have to maintain Networx to its ending date. We can, in fact, look at new legislation for new opportunities that pushes agencies toward better, cheaper, faster.

So please give me your answers from each of your companies' perspectives why this committee should not begin the process of moving us toward a unified Networx solution type re-bid that would envision that if it is going to take until 2011 to get everybody "up to this baby step," that we shouldn't look at 2011 as an implementation of the next step.

Thank you, Mr. Chairman.

Chairman TOWNS. Let me remind the gentleman that this hearing has to be over at 11 a.m.

Mr. ISSA. I am done.

Chairman TOWNS. OK. Thank you.

Mr. ISSA. I only wanted those answers for the record. It would take way too long to do it any other way. Thank you.

Chairman TOWNS. I now yield to the gentleman from Virginia.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Ms. Gowen, in your written testimony you talk about the problems with the slow transition to Networx and you said it could have been overcome if GSA had simplified the procurement process and helped individual agencies. I wonder if you could elaborate on that? Is the procurement process the villain of the piece here, or is it a big part of the problem?

Ms. GOWEN. There are many villains here. My statement there was simply GSA is doing that now. They are helping agencies and bringing resources to bear to help them get their decisions made, their transitions made. Early on in the process that did not happen. As far as procurement simplified, once again, in our mind it was a matter of resources, technical and contracting, and if OMB and GSA had helped agencies figure out if I save money here I can afford to hire some contractors to help me get there, and to develop that business case and move forward. And early on that did not happen.

Mr. CONNOLLY. But I take it from your testimony that, nonetheless, there are some streamlining ideas you have about the procurement process in general, keying in on this experience that you might have us consider.

Ms. GOWEN. For future issues, well, that is a fascinating question.

Mr. CONNOLLY. I guess what I am getting at is clearly this has been a problematic situation. What are the lessons learned moving forward? We need to fix this, but there are lessons to be learned moving forward, and I was intrigued by your comment on the procurement process being at least one big piece of that.

Ms. GOWEN. Well, that is this whole fair opportunity process, and it has been very complex for agencies. I think many of us sat here and said initially if agencies had done a like-for-like transition and made decisions on like-for-like, we would have been much further along. Instead, and many of us encouraged this, because we have a contract that allows for it, we encouraged agencies to look at transformation and adopting new technologies, but that is a complex process, and most of them initially stopped their dialog with industry and said, you know, I have a procurement process going on. I can't talk to you.

I think if agencies had kept a dialog up with industry, we could have helped them simplify what these statements of work could have looked like. We could have helped quicken the process.

So I think that is a big lesson that we all could learn is somehow or another to get the contracting shops throughout the Government to understand that having dialog with industry is not a bad thing, it is a helpful thing and should happen up front.

Mr. CONNOLLY. I certainly concur.

Mr. HERRING, did you want to comment?

Mr. HERRING. Yes, thank you, Mr. Connolly. I appreciate your comments earlier today.

I agree with the comments that more open dialog within the parameters of the Federal acquisition regulations, of course, would be helpful. Oftentimes this goes back to my point of making sure there are milestones and a project plan, if you will, and that includes in the procurement process. When will an RFP, request for proposal, be issued? When do you expect to make an award? That just parlays into the transition effort, as well.

But if I could expand my answer, as well, onto a slightly different topic but an issue that seems to be a common theme here, which is let's go ahead and do like-for-like transition, I do believe that will speed the transition up. However, I think we should not be short-sighted in what this contract called Networx can do.

We talk about price. Very important component. We talk about speed. Very important. Getting to the June date of next year, as well. But I think something that should have equal importance, as well, is making sure Government agencies can take advantage of the advanced technologies that are on the Networx contract. To go like-for-like is essentially saying buy the same service you bought 10 years ago.

We all know how much technology has advanced in the past 10 years and is advancing each and every day and each and every month. So looking at ways to both speed the transition, lower costs for governments and therefore helping our citizens, but also keeping in mind technology advancement, which is what this contract is designed to do. In fact, it is very flexible on what new technologies you can add to it.

I think we should make sure we look at the entire picture.

Thank you.

Mr. CONNOLLY. Thank you. I see my time is up. If I had more time, I would go on from the procurement process to ask you about the personnel challenge, because you heard the testimony in the previous panel. I mean, to me it is stunning—

Chairman TOWNS. I will yield the gentleman an additional 2 minutes before he takes it.

Mr. CONNOLLY. I thank the chairman.

All right. Let me ask, because you heard the testimony about agencies even needing help on statement of work from GSA, and simply did not have the capability in-house, and even in some large agencies, frankly to move forward, and if somebody passed on or transitioned out the capability went with them.

From your point of view as carriers, how much of an impediment is that, too, in moving forward successfully?

Mr. HERRING. I will start and thank you.

I do believe it is an impediment at the moment. I believe there are resource drains, not necessarily in quantity, although that is an issue inside of agencies, but sometimes in the skill set, as well. And it supports the point that I made just previously, which is if we are short-sighted enough to only look at the speed and go like-for-like, we will be more reliant upon people who have had those skill sets for the last 10 years and maybe even beyond and not allow new technology automation to help with some of that, or if people can change their skills then and focus on the agency's mission.

Thank you.

Mr. MORCHE. I think the fact that we are here 3 years later talking about transition is somewhat appalling. We started this whole conversation years ago about how can we transform Government to be on par with private industry. I would compare our commercial side of our business to the Government side of our business and say there is a 3- to 5-year gap in technology. Looking at the lack of resources inside the agencies, the ability to re-engineer and re-architect what is there has put a great deal of pressure on the agencies, where we have now fallen back to a point where we will accept a transition of like-for-like.

At this point, getting the transition done is a step toward transformation. I think we have come to a realization that transformation in one fell swoop is just overwhelming at this point for the agencies.

That being said, transitioning like-for-like, we should still take advantage of every opportunity we have for Government to have access to the lowest prices and greatest networks that our country avails.

Ms. GOWEN. I have to harken back to the dialog with industry. I think industry can help the agencies work through this process. I think probably every one of my peers feels that way, as well. You have to do it before you are into a very formal procurement process, but I think if they do that well ahead we can all sit down and help them with transformation. I agree with that. We are all saying like-for-like now because we are so late in this process. If we were 3 years ago and we could have agencies in full dialog with all of us, you know, I think it would be a different world, but we can't. We have to move forward from today.

Mr. WHITE. Obviously, human capital is a growing issue. As technology changes, it is going to become even more exacerbated.

I think one of the things that we should be focused on is how can we simplify the administrative side of the equation so that the people that are in the jobs today can do a more effective and efficient job by simplifying the contract environment so they don't have to wade through millions of different contract line items in order to figure out which direction they should go in.

So from my perspective it is all very simple in that the more focus and the easier we can make it for the agencies by collapsing the contracts, the faster the whole process will move forward.

Thank you.

Ms. ZELENIAK. And from our perspective, we do see that the lack of acquisition officers is a big issue, and there just aren't as many as there used to be. And on the other side of the aisle the Federal contracting process has become more complex, so when you put

those two together you definitely are going to run into some roadblocks.

So simplifying the actual statements of work, breaking up the procurements into smaller pieces might be a good way to go for Government.

Chairman TOWNS. Thank you very much.

I now yield to the gentlewoman from California.

Ms. WATSON. Thank you, Mr. Chairman, for this hearing.

I think you are addressing several of the concerns that I have, but I want to state them, and you can then write to the committee as a whole your responses, because I think I am hearing the answers but let me just place it out there.

As you know, we have a joint session and we need to get down there.

There are worries that as the final years of transition approaches there will be a surge in orders by agencies straining to meet the deadline, and this surge could put a significant strain on vendor resources and ultimately jeopardize the success of the transition.

Here are the questions: What are all of you doing to ensure that you will not be overwhelmed during the final months of the transition if there is a surge in orders? I think I have heard some of the responses, but this will help you frame your response to the committee.

What should the agencies, GSA, and OMB be doing to coordinate the timing of orders and to reduce the risk of this occurring?

What do you think are the key check points agencies should have in any plan, and how would their implementation be measured?

And don't you think it is a little late in the process for agencies to just now be forming a detailed transition strategy?

All of you have been referencing those questions. I would like to have them in writing, Mr. Chair, rather than take the time for them to respond as they have been doing.

Chairman TOWNS. Without objection, so ordered.

Ms. WATSON. If they could get the gist of what we are asking. I would appreciate it.

Thank you so much, all the witnesses, for being here.

Chairman TOWNS. Let me just ask one quick question before we conclude.

Can you provide a real-world example of how the transition delay has affected your business? Just right down the line. Start with you, Mr. Morche.

Mr. MORCHE. I am happy to go first.

Chairman TOWNS. Sure.

Mr. MORCHE. We have talked about this amongst each other and publicly. The challenge that a publicly traded company has is we have to manage our operating budget, which is head count. We manage that based on, as Don said, milestones and expectations of when business demand is going to come our way. When we expect a tsunami of orders and they don't come, and then we expect another tsunami of orders and they don't come, and we expect another tsunami of orders and they don't come, it is very, very difficult for us to ensure that we have the right people in place at the company at the right time and to be prepared for the day when they do finally come. It is extremely taxing in terms of our budgets

and our planning. And on top of that, it is the capital budget for where we need to augment all of our networks relative to new technology.

Mr. WHITE. I would add that this is all about a business case, so there is the promise of lower prices on Networx. We are delivering that to agencies that have transitioned today. But the promise of lower prices was built on some basic assumptions in the business case, so that really is the risk as it exists today, that we are not seeing the return that we had projected. We have invested at Sprint millions of dollars in building online portals to be easier to do business with to support new technology and services, so that is the feedback I would provide, Mr. Chairman.

Ms. GOWEN. And I would echo both of my colleagues on both sides. We have, as I said, hired people ready to get orders and respond to statements of work. We have had three different occasions when we expected tsunamis of statements of work, hired up, ready to go, and had a little swell and that was it and agencies relaxed again.

I expect exactly the same thing with orders. So it is building up a cadre and then stopping.

And the other piece is exactly what Bill said. We have invested millions and millions, tens, hundreds of millions in systems that have not been used to date, and there is little return.

Ms. ZELENIAK. I would totally echo my colleagues, as well, and just add that what is expected to be done between now and June 2011 just might be impossible. I think it needs to be recognized that no matter what actions are taken, the volume of activity yet to be done is staggering. I think we have all agreed among ourselves that our ability to actually accomplish all that by June 2011, given the current status, is going to be quite difficult, and so that is one of the challenges for our business.

Mr. HERRING. Thank you, Mr. Chairman.

We have the same financial pressures as everyone else at the table. We invested millions of dollars, as well, up front, and that is a real concern.

Maybe a bit of a softer concern but one that is real to us and real to the way we think about how we are trying to help the Federal Government and its citizens is thus far, because many decisions have not been made to transition to Networx, we haven't been able to offer the best that AT&T can offer to agencies so far. We are trying to help agencies transform the way they achieve their mission, the way they help citizens, not just transition from one contract to another. So I worry that this time pressure that we are now under doesn't allow all of us, including AT&T, to put our best foot forward to help serve the citizens.

Chairman TOWNS. I yield to the ranking member.

Mr. ISSA. Thank you, Mr. Chairman.

Often one round leads to an even better set of questions in the second round, and these will probably be ones that again I am going to ask you to primarily submit for the record.

Before I came to Congress I ran an electronics company and I stay in touch. I am still on the board of the company, so I get to see their price-downs, who is supplying services, and so on. I also get to see the very short period of contracts with no protest that

we have. We bring all of you in, we bid it, we make our decision based on a package of price and services and delivery, and we make our decision and that is the end of it and the purchasing agent has to tell four out of the five we are really sorry but, you know, next time.

It appears as though part of the reform that this committee should be looking at with GSA is what I talked about earlier in the statement, which is that when I go to a buffet I can make a very quick decision. I may not take the vegetables they planned, but I can make a quick decision. This contract or series of contracts has enjoyed protest after GSA has done the primary bidding in the process. It has enjoyed a tendency for you to, if you will, all of you, to be part of the slow-down, not just part of the frustration that it is going slow.

So I am going to ask each of you, if we go back to GSA and we say we want to have this whole process changed, would each of you support a process in which the selection by the agencies would be very much more like a buffet? They would be able to make the decision among you as vendors with a price structure in place and effectively not have to go through the level of bidding that they are going through, because all day today we have been hearing that in a sense we don't have the capability to know what we want, we don't have the ability to write it, and then, of course, after we make a decision one of you that doesn't get it protests the process that somehow the work wasn't properly defined.

If anyone disagrees, please speak up now and we will save time if there is minimum disagreement. Yes, sir?

Mr. HERRING. Yes. I disagree that going back to not allowing protests to happen—

Mr. ISSA. I am not saying not allowing protests; I am saying that GSA would streamline the process so that more of the decisions would be made in the GSA process so that an agency could choose. For example, assuming that an agency said we believe we fit GSA table No. 2, for example, and as to this particular potpourri of services, and we fit this as to voice services, and of course they have their own internal transition costs because you are not supplying all of the hardware. If, in fact, GSA pre-screened this to where as long as, if you will, a safe haven in the bidding process, as long as an agency said, yes, we reasonably believe we fit under GSA X, we then can make that decision without a protest, just the same as somebody walks up and says, yeah, I think this will work for me, period.

It appears as though, and all of you have been involved in the protest, the protest capability is generated by an absence of certainty by an agency that if they choose something that was pre-selected they have a safe haven. It is just implemented.

Do you still disagree with that?

Mr. HERRING. I do agree that streamlining would be very helpful and, frankly, oversight from GSA I think is also what we are talking about here would be helpful. We do not support, though, getting rid of the protest capability in general.

If I could just expand for 1 second, I recognize the time is—

Mr. ISSA. We are assuming that you would protest at the GSA if they felt that their schedule or block things agency could pick from were inappropriate, but go ahead.

Mr. HERRING. That capability we would welcome. AT&T has protested four awards thus far. In three of the cases, the Government has decided to take remedy and has agreed with our position to go change, either re-bid the process, etc. I think it falls back to what we talked about before, which is the skill set and the personnel inside of an agency is sometimes lacking in understanding the procurement process in general, understanding the details of it, so oversight and help from GSA would be recommended.

Mr. ISSA. Ms. Gowen, you appear to have your finger at the ready. We are frustrated because we would like to see agencies making accurate decisions, but we would also like to see as much of it pre-determined so that those decisions would be within the capability of the agency. But go ahead, please.

Ms. GOWEN. Well, first of all, your whole analogy of the buffet, you know, I think the contract is a buffet. One of the issues from my perspective is that agencies have unduly complicated choosing from the buffet.

As vis-a-vis protests, the big problem is when you do a complex RFP statement of work and you set out an evaluation criteria and then you don't follow it, you get into trouble. I don't care whether it is Networx or full and open somewhere else, agencies have to do that.

Mr. ISSA. We will just use a re-fueling tanker as a hypothetical example.

Ms. GOWEN. Right.

Mr. ISSA. Thank you.

I guess quickly, so the chairman can—

Mr. MORCHE. If I could make one point just for the record, Level 3, we have never made a protest, so I think we are the only one of the five.

I would highlight I think one of the problems we all see is the statements of work that are coming out are so large, if somebody was to lose it and they feel it was for the wrong reason, this once in a lifetime opportunity goes by the wayside. It puts an enormous amount of pressure on carriers to want to protest that. If the statements of work RFPs were much smaller, more reasonable for us to digest, I think the pressure on a carrier to want to protest a loss of that size is diminished significantly. As long as all five of us have access to the same thing, I think everybody benefits.

Mr. ISSA. And I think I see heads both in first row and second row shaking.

Finally, you get the closing word.

Ms. ZELENIAK. Thank you.

I think that one of the things the agencies are doing is putting together very complex statements of work to make sure they don't have to do another fair opportunity later. Really. I think that they are trying to get everything into one to say, OK, now I can buy this and all the follow-on services I will ever need.

I think, once again, if we simplified, you know, let's buy this much now and do another fair opportunity once you get past transition, we might be able to get this thing moving a little faster.

Mr. ISSA. Thank you, Mr. Chairman.

Chairman TOWNS. Let me thank all of you for your testimony and to say to you that we really appreciate it. Our concern on this side is that if there is an opportunity to save money and to cut down on cost, that is our interest, that is our concern. Of course, we would like to see it move as quickly as possible. This is why we have these hearings, to sort of see in terms of what we might be able to do and also to get information coming from you as to how we might be able to facilitate it.

I want to thank all of you for your testimony, and this hearing is adjourned.

[Whereupon, at 10:59 a.m., the committee was adjourned.]

[Additional information submitted for the hearing record follows:]

**QUESTIONS and RESPONSES
FOR
THE HEARING RECORD**

Response from Mr. Stephen Kempf to House of
Representatives Committee on Oversight and Government
Reform Question regarding Possible Savings on Network
Contracts

This is in response to the question:

“First of all, if you would respond for the record as to those savings that those contracts, those bridge contracts in place, would achieve if they had been at the rate negotiated by GSA for the services that they would receive if they were to make a final determination. We would like to know just how much the Chairman and I could bank on for other uses if the agencies can't move.”

Over the last two months, we have seen significant progress towards transition and, based on GSA's discussions with Agency senior executives, we are confident that Agencies are fully engaged and are committed to completing the transition from FTS2001 to Networkx by May/June 2011. Agencies are fully motivated by the potential savings they can achieve from transitioning their existing FTS2001 services and by the need for enhanced broadband services and increased security services that are available under the Networkx contract. We now believe that any cost savings will be fully offset in the very near term by the increased requirements, principally for security services inherent in new Networkx Information Protocol services and implementation of transformational broadband services that will provide enhanced connectivity and improved outreach to citizens across the country. GSA data clearly indicates that over the past ten years, as the price for network services has decreased through improved technology and competition on FTS2001 and Networkx, demand for bandwidth has increased by over 600% while agency budgets have remained nearly constant. The most important benefit of the GSA network services program has been the ability of Government to keep up with increasing technology requirements without increasing the cost of this additional mission capability.

Since all agencies have developed schedules to meet transition deadlines, GSA is unable to project which agencies will not complete transition (if any) and what services would remain, and the dollar volume of those services. Any GSA calculation would require assumptions and estimates by GSA that would not be validated by individual agencies.

Because all agencies believe they will be successful in completing the FTS2001 to Networkx transition by May/June 2011 and because GSA is unable to determine the possibility that any individual agency will not be successful, a legitimate estimate of Government savings is not possible at this time.

QUESTIONS FOR THE RECORD

House Committee on Oversight and Government Reform

May 20, 2010 Hearing

**Running out of Time: Telecommunications Transition Delays
Wasting Millions of Federal Dollars**

**Responses from Donald Herring
Senior Vice President, AT&T Government Solutions**

**QUESTIONS FOR THE RECORD FROM
THE HONORABLE DIANE WATSON**

- 1) **What are you doing to ensure you will not be overwhelmed during the final months of the transition if there is a surge in orders?**

Response: AT&T has worked with the GSA Networkx Program Office to establish processes to allow for rapid response to agency requirements for contract modifications. These activities are essential as the vast array of agency missions demand unique approaches to Networkx-driven solutions.

We also examine our experience with ongoing and completed Networkx transitions to refine processes and to carry-over successes from one transition to the next. Incorporating lessons learned and applying best practices allows us to streamline future activities.

- 2) **What should the agencies, GSA, and OMB be doing to coordinate the timing of orders and to reduce the risk of this occurring?**

Response: Agencies, GSA, and Networkx service providers should coordinate to provide and adhere to specific, disclosed, and harmonized timetables for releases of RFPs, subsequent awards, and resulting transitions.

In order to achieve this coordination, the Federal government should take these steps:

1. Establish a centralized pool of experts to deploy within agencies to plan, manage, and complete transition.
2. Empower those experts to work directly with individual agencies to craft detailed transition strategies with contingent milestones for the steps in the transition plan.
3. Create a repository of agency strategies and schedules to share with other agencies and industry to allow all agencies to benefit from the successes of others.
4. Encourage agencies to consistently apply fair opportunity criteria when evaluating proposals.

3) What do you think are the key check points agencies should have in any plan, and how would their implementation be measured?

Response: In our written testimony, we recommended the government consider providing incentives to agencies to create comprehensive transition plans and adhere to them. Specifically, we suggested the government review the timing and the structure of the transition reimbursement credit program to support agency transition planning and execution. Instead of linking the credits to the agencies' placement of orders, those funds could be used to encourage agencies to prepare, with GSA's assistance, detailed transition and transformation strategies. Credits would then be contingent upon an agency meeting and adhering to established milestones. Although there are many key checkpoints, those that should be associated with incentives are:

- 1) Contract award.
- 2) Post award inventory and requirement validation with the Networx provider.
- 3) Comprehensive agency level Transition Plan completion, including such activities as:
 - a. Work break down structure for each service and agency site;
 - b. Technical details for each service and site; and
 - c. The necessary time line for ordering activity at each site that takes into account interdependencies between sites.
- 4) Service activation, acceptance, and first bill review.

4) Don't you think it is a little late in the process for agencies to just now be forming a detailed transition strategy?

Response: It is late. But the late stage underscores the need for the agencies to plan to provide predictability in the process and ultimately speed transition.

**QUESTIONS FOR THE RECORD FROM
THE HONORABLE DARRELL ISSA**

- 1) **Why should the Committee not look toward moving all of government to a less-expensive, more-competitive solution through interim legislation? Why should the Committee not begin the process of moving us toward a unified Networkx solution type re-bid that would envision that if it is going to take until 2011 to get everybody up to this baby step, that we shouldn't look at 2011 as an implementation of the next step?**

Response: GSA, as detailed in their written testimony, put a tremendous amount of time, thought, and effort into the creation of the Networkx contracting structure. The result is two dynamic contract vehicles that are designed to deliver dramatic reductions in cost through ongoing competition and improvements in agency network services.

The delay in realizing the benefits of Networkx pricing is not the result of having two contract vehicles. Selecting the appropriate contract vehicle – be it Networkx Universal or Networkx Enterprise – is not a difficult decision for agencies. Rather we are experiencing a delay because the task at hand is highly-complex and demands an employee skill-set that is often missing in agency CIO organizations. In addition, agencies are juggling a wide range of extremely important issues such as cyber security and social networking that take time and resources away from Networkx.

An effort to re-write and re-negotiate all existing Networkx contracts in an attempt to create “a unified Networkx solution” at this point would be an immense disruption and distraction to all involved. Rather than expediting transition, the effect would be to restart the clock on transition, to the detriment of the significant agency efforts to transition to Networkx. Faced with the uncertainty, Federal agencies would likely suspend all transition-related activities until the dust settled, stemming the tide of the current effort to expedite transition and achieve taxpayer savings.

**SPRINT'S RESPONSE TO THE COMMITTEE'S ADDITIONAL
QUESTIONS REGARDING NETWORKX TRANSITION**

Issa: "Okay, Well, I am going to ask all of you to give me one answer for the record. Be as lengthy and complete as you can. From our standpoint sitting up here, Networkx is less expensive, and it is where we are going to. Please answer for the record as completely as possible why this Committee should not look toward moving all of government to a less-expensive, more-competitive solution through interim legislation.

In other words, we are looking and saying you guys are getting these roll outs fairly slow. We do not have to wait. We do not have to maintain Networkx to its ending date. We can, in fact, look at new legislation for new opportunities that pushes agencies toward better, cheaper, faster.

So please give me your answers from each of your companies' perspectives why this Committee should not begin the process of moving us toward a unified Networkx solution type re-bid that would envision that if it is going to take until 2011 to get everybody up to this baby step, that we shouldn't look at 2011 as an implementation of the next step."

Sprint response: Sprint strongly advocates bringing the immediate short term pricing and longer term transformative capabilities of a unified telecommunications government contract vehicle to all eligible agencies. Our position all along has been built on the belief that the duplicative Networkx contracts, services, associated millions of unique pricing contract line items and other complexities made the job of transition an overwhelming task fraught with uncertainty that stopped many agencies dead in their tracks. One sure fire way to accelerate the program is to mandate the change and also simplify the confusing and conflicting contract options. More competition is almost always better and allowing all five companies to compete will deliver better prices faster to the agencies. Consolidation eliminates potential questions, problems of perception about which contract vehicle is better, and should facilitate acceleration due to simplification. Let's face it, does an agency need two different contract options to select from for the same company or just one? Arranging for all five vendors to compete equally establishes a fierce market through which the agencies and taxpayers benefit through lower prices and a higher level of services.

Our closing comment is with an eye toward the next transition. Can you imagine what the next transition will be like toward the end of this decade if the current model for Universal and Enterprise remains in force? Some agencies will have services on both contracts and be staring at yet another complex transition, multiplied by a factor of two. Heading off another potentially lengthy and intimidating transition by collapsing contracts now is another proof point for simplifying immediately and not waiting.

Watson: "What are all of you doing to ensure that you will not be overwhelmed during the final months of the transition if there is a surge in orders? I think I have heard some of the responses, but this will help you frame your response to the Committee."

Sprint response: Sprint has successfully managed agency order activity throughout the FTS contract through the use of dedicated customer lifecycle teams. Each team is assigned specific agencies and consists of program managers, implementation support teams, and engineering and technical support personnel. These teams will continue to support agencies through the FTS transition to Networx. To that end, the management of any surge will continue to receive dedicated agency level support from their respective Sprint team and when necessary, be supplemented by resources across our Federal and Enterprise customer care organizations.

However, at this stage in the transition with more than 50% of the FTS transition baseline still remaining, several key agency fair opportunity decisions still outstanding, and Sprint operating under a one year continuity of operation with the GSA that expires in May 2011, the concern of a potential surge in orders in the final months is real. There are several factors that will impact how a surge of activity in the final months of the transition will or will not be overwhelming and they center around the type of order, which includes; 'like for like', or transformation/upgrade. In the situation of a like for like transition, coordination is isolated to finalizing inventory and a CLIN conversion for a billing-only update to reflect the Networx contract which results in a more manageable solution in the event of an order surge. In the situations requiring transformation/upgrade, coordination must occur across multiple vendors and the agency designated contacts; resulting in significant resource contribution from all concerned parties. Examples include the need to determine the ability to reuse equipment, whether parallel operations are required, and turn up scheduling.

What should the agencies, GSA, and OMB be doing to coordinate the timing of orders and to reduce the risk of this occurring?

Sprint response: In short, minimize risk by avoiding submission of transition orders (particularly in bulk) at the last minute. If nothing has occurred at this point, a recommendation would be for the agencies to consider a simpler approach that involves quickly moving existing inventory through a billing records only transition - 'like for like' transition. And then follow on in a future phase with a strategy to include technology refresh options.

What do you think are the key check points agencies should have in any plan, and how would their implementation be measured?

Sprint response: A focus on Networx readiness should be the key to any agency plan. Items and check points that should be included in this plan include: determination of a Hierarchy structure which will be needed for ordering and billing, DAR registration which needs to occur within both GSA and Sprint, take advantage of Sprint provided customer training for Networx, validation of inventory, and the development of a Sprint provided Agency Level Transition Plan (ALTP). Success and implementation will be measured by tracking the completion of each FTS inventory element as it is transitioned to Networx.

And don't you think it is a little late in the process for agencies to just now be forming a detailed transition strategy?"

Sprint response: No, it is not too late for agencies to determine their detailed transition strategy. However, if nothing has occurred at this point a recommendation would be for the agencies to consider a simpler approach that involves quickly moving existing inventory through a billing records only transition - 'like for like' transition. And then follow on in a future phase with a strategy to include technology refresh options.



June 8, 2010

To: Congressman Edolphus Towns, Chairman
Congressman Darrell Issa, Ranking Member
House Committee on Oversight & Government Reform

From: Diana Gowen
Senior Vice President and General Manager
Qwest Government Services

Re: Responses to Follow-Up Questions on Networx Transition Delays

Qwest appreciates the opportunity to address additional questions posed by the House Oversight & Government Reform Committee during its May 20, 2010 hearing "Running Out of Time: Telecommunications Transition Delays Wasting Millions of Federal Dollars." The magnitude of the lost savings from the delay in agencies transition to the Networx contract warrants the Committee's scrutiny of both the events triggering the losses, including the lessons learned, and the recovery plans. This dual examination will yield meaningful policy and strategy changes for the federal government. Qwest is prepared to work with all government stakeholders to support acceleration of transition, and we remain highly motivated to participate in the dialogue as to next steps.

Here are the responses to the four total follow-up questions from Committee members, two each from Reps. Issa and Watson, respectively:

Congressman Issa: Why this Committee should not look toward moving all of government to a less expensive, more competitive solution through interim legislation.

Qwest Response: A limited legislative approach may be the only persuasive alternative for agencies who fail to initiate transition to a Networx provider by the GSA-imposed deadline of Aug. 31, 2010. In fact, one approach is to legislatively reinforce GSA's existing procurement authority under the Networx contracts (Section G.4.2) to make like-for-like Fair Opportunity transition decisions on behalf of agencies which fail to act on their own behalf in a timely manner. As the administrator of the contract, GSA has the right to manage the program to meet established deadlines and to use an agency's current network traffic and billing data on the existing FTS2001 contracts to make award decisions in the best interest of the government. GSA has the requisite resources and skills to conduct such an analysis in the most expeditious fashion. Certainly, another

legislative alternative is to simply hold GSA, OMB, and the CIO Council accountable to a timeline and leverage the Committee's considerable oversight powers to push agencies along through appropriate budgeting incentives provided by OMB.

Any legislative approach should not undermine, however, the integrity of the initial acquisition structure that provided industry with three possible proposals and three separate but corresponding corporate investment decisions to make: One for Networx Universal, one for Networx Enterprise – IP, and one for Networx Enterprise – Wireless. Companies were awarded contracts for Networx Universal and/or Networx Enterprise – IP with Qwest being evaluated as the low cost provider under both contracts. This does not mean that all individual unit prices were lower but simply, that in the aggregate, Qwest offered the best value. In fact, the structure of the contract line items renders any single unit price meaningless as a standalone indicator of the total price of a Networx solution. The prix fixe structure of the contract is designed to enable related sub-elements to be bundled to support an agency requirement such that agencies would derive the best price to support their individual circumstances.

Even if one concedes that services under both contracts are identical, not all offerors bid all services under Enterprise. In fact, the Universal contract awardees account for the majority of the service offerings available under the Enterprise contract (See Attachment 1). In addition, the underlying requirements for Networx Universal included mandatory geographic coverage areas and not all bidders elected to pursue the contract based on that requirement. Using legislation to merge these two distinct contracts would usurp the procurement process by devaluing the economic and non-economic factors that formed the basis for bidding for the award. It would reward those who made lesser investments and were evaluated at prices which were deemed not in the government's best interest. It would strand tens of millions of dollars of infrastructure investment made by each of the dual-contract awardees offering the broadest array of network and Information Technology services to federal agencies (See Attachment 2).

Aside from any equity issue, there are also complications with consolidation in that termination of one or the other contracts would create a liability for the government with respect to the Minimum Revenue Guarantee. Lastly, the fact that there are two contracts for agencies to consider has been a de minimis contributor to the transition delays.

Congressman Issa: Why this Committee should not begin the process of moving us toward a unified Networx solution type re-bid that would envision that if it is going to take until 2011 to get everybody up to this baby step that we shouldn't look at 2011 as an implementation of the next step.

Qwest Response: The Networx contractors began investing millions in bid and proposals costs before or coincident with the GSA's release of the Networx Request for Information in 2003. The final contract awards were made in 2007. The current contracts, if all options are exercised, expire in 2017. Given the delays experienced under Networx, looking at next steps in 2011 might not be premature. However, as we

advised in our earlier written testimony, there has been financial harm to the industry directly resulting from the delays under Networx. The ability to improve our business cases is dependent on an adequate period to recover costs. We believe GSA should grant a 5-year contract extension that freezes current contract rates until the completion of transition to provide for a fair recovery period. That extended time should give Congress, GSA, OMB and other stakeholders an ample window of opportunity beginning in 2011 to review alternatives to the current transition strategy. Qwest recommends consideration of the following in structuring the successor procurement:

- 1) Review of the FTS2000 allocation of service model. Historically, significant transition delays first surfaced when the Brooks Act was repealed and agencies were given latitude in making their own vendor selection decisions. Prior to that, GSA's procurement strategy was to split the network traffic 60/40 between two vendors. In transitioning to FTS2000, agencies were required to transition to the service provider selected by GSA based on agencies' minimum revenue guarantee commitments, pricing, and traffic analysis. Additionally, during years 4 and 7 of the 10-year contract, the two contractors had an opportunity to re-compete for the business and GSA had the authority to reallocate the traffic split based on the results of the competition. The government therefore avoided the protracted selection process and could immediately begin planning and executing transition. While Qwest is not advocating a wholesale return to that model, we do see merit in reexamining whether it makes sense to have a centralized decision making authority for allocating service to future awardees at the time of initial award on the basis of pricing, minimum revenue commitments, and other disclosed factors. Agencies with new requirements would be free to utilize the fair opportunity process after the initial transition has been completed from the old to the new contract.
- 2) Reduce "one-off" agency requirements. Procurement planning requires better communication of an agency's technical and management performance requirements to GSA and collaboration among all agencies to define a common minimum set of baseline requirements. The result of this collaboration should be a dramatic reduction in the number of unique requirements that have surfaced in post-award Statements of Work under Networx, which drive additional investment on the part of the carriers and fail to leverage the hundreds of million invested in IT infrastructure already in place.
- 3) Improve agency inventory record keeping. Stale inventories have presented a number of challenges not only in the procurement process in terms of clearly identifying the existing services but also post-award in matching location data with actual site configuration as part the transition phase. This is a critical element that should not be overlooked. A mechanism for regular updates and review of agency assets/inventories, either as part of the OMB budgeting process or independently would deliver value for both industry and government. Additionally, for purposes of an expeditious transition, these inventory records should be readily accessible to GSA and any successor contractor. If any new law

were to be contemplated, mandating sharing of inventory databases might be one to consider or alternatively, requiring it in the contract; however, it would take an entire contract period before the effect would be gained.

- 4) Retention of acquisition resources. Qwest recognizes this issue is broader than Networkx. However, comments from all stakeholders support the notion that without government investment in talent, the knowledge constraints contributing to delays over the past few years will resurface. Additionally, the current structure of telecomm resources within federal agencies should be assessed by OMB to determine the telecom savings that can be delivered through agency consolidation of segmented local/LD, data/voice resources and by further integration of GSA FAS procurement and technical resources under the Schedules and GWAC programs.

Congresswoman Watson: What are all of you doing to ensure that you will not be overwhelmed during the final months of the transition if there is a surge in orders?

Qwest Response: Our ability to reasonably plan for a surge in orders is predicated on knowledge of the potential volume that entails. It is helpful that GSA recently shared with industry updated information on outstanding procurement decisions and acquisition timelines to provide some means for forecasting workload. Our current plans are to augment our frontline staff with resources from other parts of the company in the engineering and service ordering and service delivery functions. We also have plans and contracts in place should the need arise to hire additional support staff on a short-term basis. We have developed training programs to facilitate rapid knowledge ramp up. We continue to invest in automation to accelerate cycle times during peak volumes. Ultimately, though, agencies need to first make their award decisions before we can accurately assess the potential impact during the final months.

Congresswoman Watson: What should the agencies, GSA and OMB be doing to coordinate the timing of orders and to reduce the risk of this occurring?

Qwest Response: GSA has begun to assert its leadership in coordinating industry, agencies, and OMB and should continue to ensure open communication, especially related to agency transition plans. Agencies should leverage the tools and resources offered by GSA to track and monitor transition activities. Agencies should also work closely with their selected service provider to review inventory and site data and ensure accurate records. OMB can hold agencies accountable for accurate asset management.

Congresswoman Watson: What do you think are the key check points agencies should have in any plan and how would their implementation be measured? And don't you think it is a little late in the process for agencies to just now be forming a detailed transition strategy?

Qwest Response: The GAO and GSA have published a set of best practices and activities for transition planning that, if followed, should provide for better outcomes. While it is late in the process, it is better to form a detailed transition strategy now rather than further procrastinate, because ultimately to be successful a jointly developed plan between the agency and their chosen vendor is the only path to success. Our experience has shown that transition success is built on these key strategic gates for transition planning:

Key Check Points	Measure of Success
Staffing <ul style="list-style-type: none"> ➢ CIO assigns a dedicated Transition Team to include Contracting Officer ➢ Develop list of local government contacts and update as inventory data is updated 	Resources designated 12-24 months prior to GSA targeted transition completion date depending on size of agency assets Accuracy of local government contact data for contractor coordination and access
Inventory <ul style="list-style-type: none"> ➢ Validate and continuously refresh FTS2001 inventory data 	Percent Accuracy of inventory data based on sample survey techniques; time surveys at start of transition planning and mid-way through transition cycle
Transition Milestone Schedule Completed <ul style="list-style-type: none"> ➢ Establish a transition milestone schedule at the site level, factoring in access facility arrangement, ➢ Identify contingency/risk management 	Track % progress; measure disconnects at the service level and billed revenue declines on the FTS2001 contract vs. service activation and billed revenue increases on the Network contract; track and measure completion of all local site cutover dates. Measure invoice billing accuracy on both contracts.
Transition Budget Established <ul style="list-style-type: none"> ➢ Estimates for Transition Costs 	Agency allocation of available transition dollars based upon current FTS2001 inventory and billing should establish the available pool of compensable dollars to assist in agency planning
Fair Opportunity Decision Made; adjust transition milestone schedule for development associated with unique agency requirements	On-time award based on transition milestone schedule; award without protest
Communication Plans Documented, Published and Updated including coordination/collaborated with GSA Transition Service Manager and IMC Transition Working Group	In the spirit of transparency, the agency level plans should be provided to GSA and published to enable GSA, the IMC, OMB, agencies and service providers a common status and planning baseline and status.

Level 3 Responses to Questions for the Record
House Committee on Oversight and Government Reform
Thursday, April 29, 2010
Network Transition
6/28/10

ISSA:

1. Please answer for the record as completely as possible why this Committee should not look toward moving all of government to a less-expensive, more-competitive solution through interim legislation.
2. Please give me your answers from each of your companies' perspectives why this Committee should not begin the process of moving us toward a unified Networkx solution type re-bid that would envision that if it is going to take until 2011 to get everybody up to this baby step, that we shouldn't look at 2011 as an implementation of the next step.

Level 3 Communications Response:

Level 3 would welcome legislative effort to help accelerate transition to the more competitive Networkx Enterprise contract. As Ranking Member Issa mentioned at the hearing, Level 3 Communications offers the lowest prices on several Networkx services. Level 3 would, without reservation offer the same prices to agencies regardless of which contract they choose to use if given the chance. Level 3 also requests that the Committee continue to hold hearings on transition progress until agencies can demonstrate that over 90% of the FTS2001 revenue has been moved to Networkx. This is the only way to ensure that transition occurs at a reasonable pace.

In addition to legislative action, Level 3 recommends that agencies outsource more of the transition activities to the Networkx carriers and establish Networkx Enterprise as the default contract vehicle for transition. These actions would ensure that the government gets the lowest price for their services and also expedite transition.

Many agencies perceive the Networkx Universal contract as the default replacement contract for FTS2001 and do not consider Networkx Enterprise for their requirements. The Enterprise contract has significantly lower prices on the most popular services like IPS and NBIPVPN with functionality and performance that is exactly the same. The monthly savings that the government could realize by using the lower prices on Networkx Enterprise is in the order of \$8M per month – i.e. ~\$1B over the 10 year life of the contract.

Finally, Level 3 suggests that the transition process could be simplified by taking a number of immediate actions supported by all five Networkx vendors:

1: Parse out requirements into more manageable scope:

Many agencies are struggling to make progress as a result of trying to issue highly complex and ambitious SOWs/RFPs. It is taking them a very long time to gather

inventory information and the size of the requirement makes it very difficult for the carriers to respond quickly with high quality solutions. The very large size of the opportunity encourages protests since carriers are concerned they will not get another chance to bid on or win business for the next 10 years. Agencies could eliminate protest concerns by breaking out requirements into opportunities that fall below the protest threshold (\$10M) and significantly reduce protest potential by breaking their requirements into multiple task orders even if the size is above the threshold.

2: Focus on “like for like” and worry about transformation later

Some agencies are delaying transition as they consider options to transform their network infrastructure. This introduces delay and impacts the ability of agencies to take advantage of the better pricing available on Networx Enterprise. Agencies should reduce their costs now by transitioning existing services from high cost FTS2001 contract to lowest cost Networx Enterprise contract.

3: Use price to decide on like for like transition requirements

For existing services, agencies could accelerate their decisions by using “lowest price” as the single decision criterion absent some concrete and discernable reason not to. Services available on Networx have common performance and feature characteristics and the program is designed to enable a simple price comparison between carriers. Agencies can then simply select the carrier with the lowest price. RFQs are much easier for agencies to develop, administer and evaluate. Similarly, RFQs are much simpler for carriers and do not require as many resources as RFPs and SOWs.

4: Eliminate delays caused by lack of inventory

Many agencies are expending significant effort and time putting together comprehensive inventories of telecommunications services. The reality is that network infrastructure is continually evolving and changing so a 100% complete view of inventory is impossible to achieve. Agencies should gather as much inventory information as is readily available and issue RFQs based on that subset of data. They can iterate later as more information becomes available.

WATSON:

1. What are all of you doing to ensure that you will not be overwhelmed during the final months of the transition if there is a surge in orders?

Level 3 Communications is committed to assisting agencies in their transition from FTS2001 to Networx. Level 3 has significantly increased the resources available to respond to agency requirements. We continue to recommend that agencies outsource more of the transition process to the Networx carriers. Level 3 stands ready to engage with agencies early in the process to help them accelerate the transition to Networx.

2. What should the agencies, GSA, and OMB be doing to coordinate the timing of orders and to reduce the risk of this occurring?

Despite the investments made by Level 3 Communications, we could still be overwhelmed if all agencies wait until the last minute to issue their requirements. Early and frequent engagement of the carriers by the agencies is a critical step to ensure that the target date for transition is achieved. GSA and OMB can play a role in encouraging agencies to interact with carriers more frequently and earlier in their transition process. GSA could also help agencies reduce the complexity of their requirements and eliminate the potential for protests by breaking up the work into smaller more targeted solution sets. This reduction in scope would encourage carriers to respond to only those task orders where they offer best in class solution. Large, all-encompassing RFPs, require the carriers to pull together large teams of suppliers which add significant markups.

3. What do you think are the key check points agencies should have in any plan, and how would their implementation be measured?

Level 3 Communications has identified the following key steps in the transition process:

- 1: Obtain the current inventory of their services
- 2: Choose between the Networx Enterprise or Networx Universal contracts
- 3: Convert their legacy inventory to Networx based CLINs (Contract Line Item Numbers)
- 4: Conduct fair opportunity (either with the "unit pricer" or via SOW/RFP/RFQ)
- 5: Evaluate the carrier responses

Agencies could make immediate progress on each one of these steps by simplifying their approach and leveraging the expertise of the carriers to help them in their transition. Every agency should immediately engage the 5 Networx carriers based on the inventory information they have available today. An exhaustive inventory list is not necessary to make a good fair opportunity decision. Furthermore it is in the interest of agencies and carriers to reduce the scope of task orders to make it easier to develop and respond to

agency requirements. Smaller task orders are also less likely to be protested – in fact many would fall below the protest threshold.

Agencies should also be explicitly measured on how often they avail of the more competitive Networx Enterprise contract vs. Networx Universal. To simplify the process for transition, agencies should be required to use lowest price as the primary decision criterion and they should be required to demonstrate that they have selected the lowest priced provider available under both contract vehicles.

4. And don't you think it is a little late in the process for agencies to just now be forming a detailed transition strategy?

Yes.

Follow-Up Questions from the House Committee on Oversight & Government Reform**Response of Susan Zeleniak, Group President, Verizon Federal**

Issa: "Okay. Well, I am going to ask all of you to give me one answer for the record. Be as lengthy and complete as you can. From our standpoint sitting up here, Networx is less expensive, and it is where we are going to. Please answer for the record as completely as possible why this Committee should not look toward moving all of government to a less-expensive, more-competitive solution through interim legislation.

In other words, we are looking and saying you guys are getting these roll outs fairly slow. We do not have to wait. We do not have to maintain Networx to its ending date. We can, in fact, look at new legislation for new opportunities that pushes agencies toward better, cheaper, faster.

So please give me your answers from each of your companies' perspectives why this Committee should not begin the process of moving us toward a unified Networx solution type re-bid that would envision that if it is going to take until 2011 to get everybody up to this baby step, that we shouldn't look at 2011 as an implementation of the next step."

The Networx program provides a cost competitive solution. It would be more efficient to accelerate Networx than to embark on something new. More than half the agencies have already awarded their primary telecommunications services under the Networx contract and are either well into transition or actively developing their plans to do so. Most of the remaining agencies are currently evaluating proposals and should make their awards in the next month or two. It may be helpful for the Committee to designate a date by which all agencies must make a Networx award to transition current business from FTS2001. I would recommend August 31, 2010. Once an award is made, the agency should be given two months to present a government/vendor agreed upon transition plan. Both the agency and the contractor should then provide a quarterly status report to GSA that demonstrates adherence to the plan.

This approach would assure that all agencies are making demonstrated progress to the goal so that the benefits of Networx will be realized. Given the complexity of communications today, however, it may be wise to consider extending the term of Networx by three or four years so that we are not facing this challenge again in four years. The availability of choosing from 5 suppliers and the technology refreshment already in the contract will assure competition for many years to come.

Watson: "What are all of you doing to ensure that you will not be overwhelmed during the final months of the transition if there is a surge in orders? I think I have heard some of the responses, but this will help you frame your response to the Committee.

Verizon has an experienced team and has developed automation tools that will allow us to support a large volume of activity. We developed our Back Office Transition (BOT) capability to facilitate transition for those current customers who choose Verizon as their Network provider. The BOT does not require the agency to issue transition orders but only to provide a current inventory of services along with their billing hierarchy. We are also prepared to supplement the work force as needed.

We performed the largest telecommunications transition in history when we moved services from FTS2000 to FTS2001 so we know what it takes to be successful. There are limits as to the level of activity that can be supported should all of the orders be placed during the same month. But in our ongoing coordination with GSA and the agencies we would not expect that to happen.

What should the agencies, GSA, and OMB be doing to coordinate the timing of orders and to reduce the risk of this occurring?

Upon award of their Network contract, each agency should work closely with the vendor to develop, within two months, their Agency Specific Transition Plan. This plan should assure that both government and vendor resources are aligned for success. Weekly meetings should take place to monitor the progress of transition and quickly resolve issues as they develop.

GSA and OMB should not impose a single deadline for all agency orders. This will certainly result in an overwhelming number of orders and will not accelerate a meaningful transition. Instead, they may want to consider a moving target, based on the date of agency award, with all agencies required to make an award by August 31, 2010.

What do you think are the key check points agencies should have in any plan, and how would their implementation be measured?

The agency and the vendor need to develop the Agency Specific Transition Plan and then adhere to that plan. This contractually required document includes all the elements to manage and implement the transition. There should be weekly status meetings to monitor adherence to the plan. GSA should be encouraged to participate if work falls behind schedule. Key steps in any agency transition plan should include the following:

- Completion of CPNI Forms – CPNI (customer proprietary network information) is information relating to the quantity, technical configuration, type, destination,

location, amount of use and billing of the telecommunications services customers purchase from Verizon. Verizon Business CPNI processes are driven by the need to comply with federal and state CPNI requirements.

- **DAR Registration** – DARS, or designated agency representatives, are authorized by their agencies to place orders for Networx services. Verizon has streamlined the DAR registration process through an online registration tool.
- **Agency Hierarchy Code Setup** -- Hierarchy codes are billing account codes that are used by GSA to correctly bill for services. All orders placed for Networx services must contain a hierarchy code.
- **Customer Training** – Verizon offers both online and in-person training.
- **Inventory Review**

And don't you think it is a little late in the process for agencies to just now be forming a detailed transition strategy?"

While we would certainly like to have seen more progress in this area, it is not too late to develop the transition strategy and execute on it. Both GSA and contractor resources can help agencies with this task. If agency leaders are motivated to make this a priority by committing personnel resources to the task, it can be accomplished. But there can be no further delays.

