

STATEMENT OF
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U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
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U.S. HOUSE OF REPRESENTATIVES
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Good morning, Chairman Davis and Members of the Committee. Thank you for the opportunity to continue our discussion concerning the Networx Program.

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

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

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

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

IMC Coordination and Goals

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

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

- Operations support. Improve ordering, billing, and inventory management.
- Transition assistance and support. The contracts must include provisions that facilitate transition coordination and support.
- Performance based contracts. The contracts must be performance based with Service Level Agreements to the extent possible.

Networx RFI

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

Response to Stakeholder Feedback

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

- Should we relax our nationwide service requirements to encourage more competition?
- Could we meet our program goals in a single acquisition?
- Are the ordering and billing data elements described in the RFI too extensive and do they limit competition?
- What is the role of Multiple Award Schedules?

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

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

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

The second question addresses the need for two acquisitions. We determined that the best approach was to proceed with two acquisitions but to conduct them simultaneously. The reason is that the first acquisition, Networx Universal, is designed to satisfy agency needs for service continuity and full service. The second acquisition,

Networx Enterprise, focuses on the delivery of IP data or wireless services with less stringent geographic coverage.

The next question focused on Ordering and Billing. The RFI released to industry last October contained approximately 60 pages of ordering and billing data elements.

Feedback from industry suggested that the number of ordering and billing elements, and the suggested formats, were excessive and would be a significant cost driver. FTS and the IMC thoroughly reviewed all requirements and developed a set of fundamental data elements. We also requested that the Industry Advisory Council's Special Interest Group on Telecommunications provide specific comments on each data element.

These discussions resulted in an understanding between industry and government on the Networx requirement and the ability of industry to meet that requirement. FTS reduced the number of elements by 60%. Importantly, through these discussions, industry confirmed that there are no commercial ordering and billing standards, and that Government requires some unique elements to meet fiduciary and mission requirements. We now have a significantly less burdensome requirement without compromising our basic needs. We will continue to solicit new ideas from industry that will enhance our capabilities and efficiencies in this area.

The fourth and last area concerned the role of Multiple Award Schedules (MAS) to meet our customers' telecommunications requirements. The MAS program currently provides a growing list of hardware and telecommunications services that complement comprehensive acquisitions like Networx. Our customers will choose the mix of

solutions that best meet their needs. It is important that we provide them with a choice of solutions.

Public Forum.

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

FTS Network Strategy

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

Network Universal will be competed among providers, or teams of providers, who can offer a comprehensive range of domestic and international services. Service providers

will be required to provide service to all government locations currently served under existing programs, as well as all commercial locations served by the offeror. This acquisition is structured to provide Government agencies with uninterrupted service to all locations currently served and ensure continuity for mission essential activities.

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

Transition Planning.

Beginning with the establishment of the IMC Transition Working Group in the spring of 2003, we have made excellent progress in planning for transition. We have collected lessons learned on the problems and successes experienced during the FTS2001 transition and have made progress in developing a transition management plan. We have identified inventory data elements and have begun to identify sources of inventory data. While transition is always difficult, we have started early to plan for a smooth transition to Network from FTS2001.

Schedule

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

Summary

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

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