

Testimony

of

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

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

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

Those recommendations were:

- Networx should allow bidders to bid to their strengths;

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

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

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

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

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

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

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

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

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

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

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

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

## **Conclusion**

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

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