

**WRITTEN STATEMENT OF**  
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**BEFORE THE**  
**COMMITTEE ON GOVERNMENT REFORM**  
**U. S. HOUSE OF REPRESENTATIVES**  
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Mr. Chairman and members of the Committee, good morning. My name is Jerry Edgerton. I'm the Senior Vice President of MCI's Government Markets division. I appreciate having the opportunity to appear before the Committee today. I'm pleased to share my 15 years of experience as a government contractor in providing MCI's perspective on GSA's upcoming Networx procurement.

The existing federal telecommunications program, FTS2001, has been very successful in delivering state-of-the-art services -- often customized for mission-specific requirements -- to agency users at the lowest possible prices. MCI strongly believes that Networx can build on the successes of FTS2001 and through its unique program design deliver maximum flexibility, innovation and value to the federal government. We believe that the proposal that best ensures this outcome is the three-tiered approach described in detail below. First, I would like to say a few words about MCI's support of government telecommunication programs.

## **MCI's Strong Record of Delivering Benefits to Government Users**

MCI is a leading global communications provider and operates the industry's most expansive global IP backbone. MCI develops the converged communications products and services that are the foundation for commerce and communications in today's market. In addition, MCI is one of the largest telecommunications providers to the U.S. government. We support more than 75 federal agencies and we have designed and implemented some of the most complex government networks in the world.

Over the last 16 years, MCI has grown from a small player in the government marketplace to become the premier provider of advanced telecommunications networks and systems to customers in federal and state governments. Our guiding principle is to make sure that government users get the full benefits of the competition on which MCI thrives – world-class service quality, the best available technology, and innovative problem-solving – all at a competitive price.

We have continued to excel in the government marketplace, despite the recent challenges that confronted the company, because of our commitment to customer service and performance. MCI has overcome those challenges and is today a new company. We have a new board of directors and a new senior management team. We have an unsurpassed commitment to the highest business ethics and are striving to be the model for good corporate governance. MCI employees have been working tirelessly to restore public

trust and to successfully emerge from Chapter 11 bankruptcy. With the exception of completing its financial filings, MCI has satisfied all significant tasks required for its emergence from bankruptcy, including obtaining all federal and state regulatory approvals and creditor approval. In addition, after careful review by the GSA, MCI has been found to be a “responsible” government contractor.

We are proud of our track record of helping government agencies meet their business requirements to serve their constituents. And we are proud that the services we provide to federal, state and local governments help make a difference in the lives of ordinary Americans. Let me offer a few examples:

- Airline passengers can rest assured that the communications network used by the air traffic controllers to safely guide their planes – MCI’s LINCS network – is the most reliable network of its kind ever created.
- As the steady flow of mail to and from your constituents continues on a daily basis, keep in mind that MCI’s networks link thousands of Postal Service locations across the country.
- When your constituents call the Social Security Administration (SSA), their calls are answered more quickly and at lower cost to the SSA because of MCI’s advanced call routing network.

- America's troops, stationed across the country and around the world, are supported by advanced telecommunications services provided by MCI.

Based on research conducted for MCI by an independent third party, our federal customers are pleased with our performance. A telephone survey conducted with 40 agency executives in July and August 2003 gauged how well MCI is serving our government customers on the FTS2001 contract. The majority of the respondents (87 percent) were involved in recommending or making decisions related to telecommunications procurement. The questions covered many areas including: MCI's overall performance, cost, service delivery/installation, and engineering/operations support.

I am pleased to report that our customers gave us universally high marks for overall performance and communications. Our customers cited MCI's people as its greatest strength. This was important to us because it reaffirmed that our account teams were continuing to focus on service, performance and customer satisfaction, despite the challenges facing the company during this period.

### **Networx Can Build on FTS2001's Successes**

MCI's perspective on the Networx project is framed by its 16 years of experience as a government contractor. The question at hand is, "Does a centralized government telecom

plan jibe with an ever-evolving market?” Based on our experience with FTS2001, the answer is a resounding “yes.”

When GSA initially awarded the FTS2001 contract in 1998, a major goal was to obtain flexibility, innovation and value for government users. I believe that FTS2001 has met or exceeded these goals. According to GSA’s FY2003 Annual Performance and Accountability Report, FTS2001 has:

- Saved taxpayers \$574 million in fiscal 2003;
- Saved more than \$1.6 billion over the life of the contract; and
- Produced pricing that is 53 percent lower than comparable services purchased by large commercial clients.

In addition, GSA has added a large number of innovative solutions to the FTS2001 contract as government needs and technology evolved. MCI has added 148 modifications to the contract, helping ensure that our federal customers remain on the cutting edge of telecommunications technology. GSA anticipated the need to quickly deploy new technologies by including provisions for custom design documents to meet unique agency needs. Here are a few examples of how the GSA uses contract modifications and custom design documents to meet agency-specific missions:

- Social Security Administration (SSA). MCI delivers customized intelligent call routing to the SSA. This capability delivers the call to the first available agent with the appropriate skill to help that caller. The FTS2001 contract has also allowed MCI to deliver speech recognition technology that makes it easier for citizens to obtain information while reducing costs to SSA.
- Department of Health and Human Services (HHS). HHS uses advanced speech recognition to support its Medicare and Medicaid programs. The FTS2001 contract provided the flexibility for a pilot program in Pennsylvania that improved service to the public and enhanced Departmental efficiency. HHS is now deploying this program nationally.
- The Bureau of Indian Affairs (BIA). The BIA worked with GSA and MCI to implement a comprehensive security solution that supports the distribution of funds under the Trustnet program.
- The Federal Bureau of Investigation (FBI). The FBI obtained diverse routing capabilities to assure business continuity in the event of disasters that might otherwise disrupt critical communications.

## **MCI's Vision of Networx**

We believe that if fully implemented, Networx will yield equally positive results for federal government agencies. We foresee a Networx program that will continue to serve the needs of government agencies by ensuring a flexible contracting vehicle, offering agencies an efficient means to obtain emerging technology solutions and providing competitive prices.

MCI recommends that Networx incorporate a three-tiered approach, managed entirely within the Networx program, to enable the federal government to maximize agency flexibility, technological innovation and potential cost savings:

- First, create a catalogue for government users under which each contractor will offer commodity-like services featuring commercial ordering, implementation, billing, customer service and reporting. Examples of these Type 1 services include outbound voice and standard domestic private line services.
- Second, group together a comprehensive suite of services similar to FTS2001 offerings today. These Type 2 services would accommodate fixed price services that support the government-unique management and operations support requirements for ordering, billing, customer service and reporting. Those services

that are less mature, or that offer optional features and enhancements, would fall only under Type 2. An example would be toll free services with enhanced call routing or interactive voice response features.

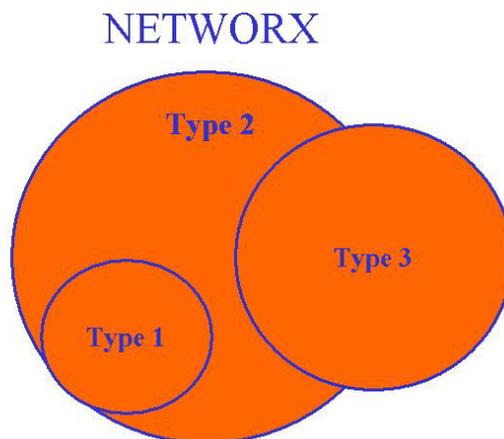
- And third, employ task orders to procure customized, complex solutions unique to individual agencies. We have found that a “one-size fits all” approach does not adequately meet the needs of all federal agencies. With these Type 3 services, agencies would be able to request custom solutions with pricing benefits that result from a larger contract. In addition, contractors would be able to propose unique, bundled offerings that include elements from the larger, competitively awarded Networx contract. An example is a nationwide managed network service supporting mission-critical applications such as an enterprise data network.

Appendix A sets forth a chart that details the characteristics, acquisition process, back office support and level of oversight associated with each tier.

To optimize efficiency and minimize disruption to agency telecommunications, we recommend that Networx Universal offerors be required to offer all Type 2 services. That would ensure that the government achieves its goal of service continuity from FTS2001 to Networx. In addition, this requirement would allow GSA’s Federal

Technology Services (FTS) to make like-kind comparisons among vendor responses. FTS must be able to evaluate the proposals based on equivalent services from all vendors.

Figure 1 illustrates the relationship among Type 1, 2 and 3 offerings. While less mature services, or those that offer enhanced features/functionality such as toll free service with enhanced call routing or interactive voice response, would be offered only under Type 2, vendors would have the option to propose commodity-like commercial services under Type 1. This would give agencies a choice between Type 1 and Type 2 offerings for some services. Type 3 offerings would be customized solutions comprised of one or multiple Type 2 offerings. A Type 3 offering might also incorporate services beyond those included elsewhere in the contract. This approach allows agencies to achieve flexibility and innovation as their requirements evolve.



**Figure 1**

Including each of these service types under a single contract vehicle ensures that agencies retain centralized management control of their telecommunications services regardless of which tier they choose. It also allows the government to leverage its buying power, thus benefiting large and small agencies alike. In short, this three-tiered approach would benefit agencies in the following ways:

- Preserve agency flexibility to implement innovative solutions;
- Benefit from the lowest competitive pricing by leveraging the buying power of the entire government; and
- Maintain the centralized management support that has been provided under FTS2001.

Several other issues will play an important role in the ultimate success of the Networx program. These are: ensuring continuity of service from FTS2001 to Networx, minimizing additional administrative requirements, and allowing Networx contractors to offer Select and Regional services.

### **Continuity of Service is a Critical Requirement**

Perhaps most important to agencies is the requirement for “continuity of service.” GSA defines this as the requirement to support all existing locations now served by FTS2001. Agencies with remote or small locations *cannot* be left behind. The Networx contract

must require the winning vendors to provide service everywhere that service is provided today. Vendors can form teams or partnerships to achieve this goal, but this is a mandatory requirement for agencies offering services directly to the public, such as the Social Security Administration, Veterans Administration or the Indian Health Service. It is equally important for those agencies responsible for protecting national security. If Networx does not require continuity of service, agencies will be required to spend significantly more for critical services they now have. MCI believes any new procurement cannot compromise continuity of service.

### **Limit Administrative Requirements to Those Currently Available to the FTS2001 Contract**

Another step to limit overall costs to government agencies and ultimately taxpayers would be to limit the expansion of current FTS2001 billing, reporting and monitoring requirements. Those requirements now in place, including an inventory of services procured under the contract, provide significant benefit to *all* agencies. MCI recognizes that some government agencies may have additional monitoring or billing requirements, but we strongly believe that these specific needs can best be served through a task order rather than modifying the entire contract. The task order approach eliminates the possibility of significant cost increases being born by all agencies for a solution that benefits only a few.

## **Allow Networx Universal Awardees to Offer Select Services**

To stimulate innovation, MCI recommends that vendors awarded a Networx Universal contract automatically become eligible to provide services under the Select program.

This will allow Universal vendors to introduce new services more quickly into the smaller, select and regional markets instead of waiting until the service is available on the national scale of the Universal contract requirement. In addition, it would allow Universal providers to work with small businesses that have the ability to provide emerging solutions on a regional or limited basis.

## **Conclusion**

In conclusion, in responding to the Committee's question, it is clear from our experience with the FTS2001 contract that a centralized government telecom plan will succeed with an ever-evolving market. FTS2001 has evolved to allow flexibility and innovation (including the introduction of additional vendors). Further, the program has saved government agencies, large and small, hundreds of millions of dollars.

MCI believes the Networx contract will provide similar financial benefits, assure that the communications needs of all agencies are met, and offer government agencies a vehicle to obtain innovative solutions in an evolving marketplace and provide similar financial benefits.

I appreciate the opportunity to appear before the Committee. I would be pleased to answer any questions you may have.

**Appendix A: Recommended Three-Type Acquisition Strategy**

	<b>Type 1 Schedule Services</b>	<b>Type 2 Firmed Fixed Price IDIQ Services</b>	<b>Type 3 Negotiated Services</b>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Commodity services</li> <li>• Fully mature marketplace</li> <li>• Relatively easy to transition</li> <li>• Limited need for agency-wide choice of single vendor</li> <li>• Limited architecture and engineering support needed</li> </ul>	<ul style="list-style-type: none"> <li>• Commodity services plus those with technical differentiation by vendor</li> <li>• Mature but evolving marketplace</li> <li>• Higher cost/risk for transition</li> <li>• Management complexity favors single-vendor selection</li> <li>• Some architecture and engineering support required</li> </ul>	<ul style="list-style-type: none"> <li>• Highly-tailored solutions</li> <li>• Evolving/dynamic marketplace</li> <li>• Very high cost/risk transitions</li> <li>• Extreme complexity requires single vendor/team solution</li> <li>• Extensive architecture and engineering support required</li> </ul>
<b>Acquisition Process</b>	<ul style="list-style-type: none"> <li>• Require commercial services and support</li> <li>• Verify commerciality of offering</li> </ul>	<ul style="list-style-type: none"> <li>• Require commercial services and support plus specified federal enhancements</li> <li>• Verify past performance and compliance with RFP technology and management specifications</li> </ul>	<ul style="list-style-type: none"> <li>• Require commercial services and support plus specified federal enhancements</li> <li>• Verify past performance in federal/commercial markets</li> </ul>
<b>Back Office Support</b>	<ul style="list-style-type: none"> <li>• Commercial</li> </ul>	<ul style="list-style-type: none"> <li>• Current FTS2001 MOPS</li> </ul>	<ul style="list-style-type: none"> <li>• Defined by task orders</li> </ul>
<b>Required FTS Oversight</b>	<ul style="list-style-type: none"> <li>• Low</li> </ul>	<ul style="list-style-type: none"> <li>• Medium</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> </ul>
<b>Examples</b>	<ul style="list-style-type: none"> <li>• Outbound voice service</li> <li>• Standard private lines</li> </ul>	<ul style="list-style-type: none"> <li>• Toll Free service with enhanced call routing</li> <li>• Frame Relay service</li> </ul>	<ul style="list-style-type: none"> <li>• Complex IP network solutions</li> <li>• Security solutions</li> <li>• Bundled service offerings</li> </ul>