

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

WRITTEN TESTIMONY BY SHELLEY MURPHY,

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GENERAL SERVICES ADMINISTRATION NETWORK ACQUISITION PROGRAM

September 15, 2004

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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