

**WRITTEN TESTIMONY OF JERRY W. HOGGE**  
**SENIOR VICE PRESIDENT, WINSTAR GOVERNMENT SOLUTIONS, LLC**  
**BEFORE THE HOUSE GOVERNMENT REFORM COMMITTEE**

**I. Opening/Introduction**

Good morning Chairman Davis, and members of the Committee. I appreciate the opportunity to appear today to discuss the General Service Administration's "Networx" Program. My name is Jerry Hogge, and I am Senior Vice President of Winstar Government Solutions LLC. I am here to offer Winstar's perspective as an incumbent supplier in the General Services Administration's MAA and FTS2001 programs, and to offer our specific recommendations as to each of the six issues outlined in your February 17, 2004 letter to industry. Winstar appreciates this opportunity to share information, exchange ideas, and have a candid discussion about this important program.

In addition to the six important issues raised by the Committee, I would like to comment on what Winstar views as the most vital, overarching issue for the Networx program – the ability of the program to properly address homeland security, continuity of operations, and continuity of government and their relationship to our nation's telecommunications networks.

As we all know, communication is essential to the efficient and effective operation of any organization. Without communications, private industry and government agencies cannot be effective nor operate smoothly. With large distributed organizations such as the Federal government, our nation's telecommunications networks are at the heart of all forms of human and

computer system communication whether voice, data, or video. The Government's ability to share information, correlate events and take appropriate responsive action is possible only if people and computer systems communicate effectively and efficiently. Public sector organizations' as well as private industry's ability to perform essential and routine functions, execute planned actions, or respond to emergency situations is greatly controlled by their ability to communicate. Through the terrible events of September 11, 2001, we learned some very valuable lessons about the importance of communication, our need to quickly organized emergency response teams, and the essential role our telecommunications networks serve in crisis situations. Unfortunately, and more importantly, we were also confronted with some of the frailties and limitations of our telecommunications networks. Numerous independent third party experts and observers have concluded that all key commercial and Government buildings need to be served by at least two separate facilities-based networks that enter and exit the building from points separated by multiple levels in multi-story buildings, and by at least 100 feet in single story buildings.<sup>1</sup> As such, Winstar contends that the Networx program should directly address this important issue.

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<sup>1</sup> See e.g. Randolph J. May, *Preventing a Communications Blackout: The Need for Telecom Redundancy*, available at <http://www.pff.org/publications/communications/pop10.24blackout.pdf> (2003) [hereinafter May]. See also, Young and Berman, "Exposed Wires: Trade Center Attack Shows Vulnerability of Telecom Network. Damage to Verizon Facility Snarled City's Phones; A Legacy of Monopoly?," *The Wall Street Journal*, A1. (Oct. 19, 2001). Chairman Harvey L. Pitt, U.S. Securities and Exchange Commission, Remarks at the Security Industry Association Annual Meeting (Nov. 9, 2001). [www.sec.gov/news/speech/spch521.htm](http://www.sec.gov/news/speech/spch521.htm).

## **II. Winstar offers a unique perspective:**

As you know, Winstar is a facilities-based, fixed-wireless broadband services company certified as a Competitive Local Exchange Company (CLEC) in the nation's largest cities, and is one of only two Competitive Local Exchange Carriers participating in GSA's MAA and FTS2001 programs. More importantly, Winstar is the only facilities-based, competitive local exchange carrier that is offering local and long distance services to Federal customers primarily using a fixed wireless "last mile" technology. These technological and physical distinctions can have profound implications to the survivability and availability of communications networks at key government locations.

Winstar has service-marked its wireless technology Wireless Fiber<sup>sm</sup> because it offers our customers the same quality and reliability as in-ground fiber optic systems. With this technology, Winstar offers the federal government a telecommunications solution that can be completely independent of in-ground infrastructure, thereby delivering high quality services that are *physically and technologically distinct* from traditional networks. Winstar's Wireless Fiber<sup>sm</sup> technology can be used to connect federal customers to each other such as in campus environments, to Winstar's switched and data networks, to the public switched telephone network (PSTN), and to long distance networks – such as Winstar's national network, FTS2001, DSN, and ultimately Networx.

When a government user places a phone call or sends data from his/her computer, Winstar's fixed wireless technology uses a radio antenna located at the customer's building to securely transmit the data via 38 GHz or other

exclusively licensed radio frequency spectrum bands to a receiving antenna located within Winstar's network. Winstar then routes the transmission over its fiber optic backbone to the receiving customer, or to the appropriate terminating network interconnection point.

By implementing a fixed wireless connection, or other suitable technologies at key Federal buildings, many "single points of failure" in the "last mile" networks -- the very network elements that were destroyed or that failed in New York on September 11, 2001 -- are eliminated. The "last mile" is the key to the resiliency of the telecommunications network. While it can be difficult and costly to create diversity in the "last mile," mature technologies exist that can be deployed in a cost effective manner to address these essential network elements.

Fixed wireless technology is in no way a contingency for every possible eventuality. For example, if a massive catastrophic event destroys many government buildings, or makes them unsuitable for human habitation, then it makes sense to direct operations and communications to another site. That said, short of measures that require physically relocating personnel, fixed wireless does represent a widely available and cost effective means for improving the probability that the network will be available in the event of a manmade or natural crisis. Other technologies such as free space optics, satellite services, and other microwave systems can also be used to fortify essential network connections at our nation's key Federal buildings and improve the likelihood that essential dial-

tone and “data tone” network connections are available and operating in the event of an emergency.

Despite the events of September 11, 2001 and the hard lessons that were learned, Winstar believes that insufficient progress has been made in the past two years to implement physically diverse network solutions at many key government sites. The time has come to address this issue and the GSA Networx program can be a catalyst for implementing these important services.

### **III. Networx and Physical Diversity**

Winstar views the GSA’s Networx program as a timely and important next step in the evolution of our nation’s network services. The Networx program will be competed and implemented at a time in our nation’s history where the threats to our homeland security, public safety and the continuing operation of the government are of utmost importance and concern. As such, the Networx program has significant implications to United States national security and public safety. The current Request for Information (RFI) does not appear to place sufficient emphasis on these aspects of the procurement. Instead, industry is confronted with essentially a business as usual approach where services are to be competed on a heavily aggregated basis, without direct recognition of these important national security implications of network services.

In order for Networx to adequately address these important network and homeland security issues, there should be an express requirement for: 1) a complete and comprehensive inventory assessment – every agency should have

a crystal clear understanding of its network, its weaknesses, and where single points of failure exist; 2) the Networx program should mandate that critical government buildings/sites be identified throughout the country and that special communications requirements, including physically diverse infrastructure requirements for those sites be determined. As a minimum, this assessment should address establishing physically separate rights of way, physically separate ingress and egress, and physically diverse switching/routing centers; 3) a time-bound requirement should be established for diverse network connectivity to be procured and implemented at these critical buildings/sites; and 4) an on-going program of review and reassessment of this important inventory should be implemented. I direct the remainder of my remarks to the six key issues raised by this Committee.

#### **IV. A Centrally Managed Program Approach**

Winstar continues to see substantial and lasting value in its relationship with the GSA – Federal Technology Service (FTS) and believes that there are meaningful benefits for the competitive industry and Federal agency users through GSA-FTS’s acquisition expertise and program leadership. Turmoil in the telecommunications industry, the continuing pace of technological change, all cast against an uncertain national security landscape within the United States, create a challenge for GSA-FTS and the successor program to balance these issues and risks, while delivering highly reliable telecommunications services to end-user agency customers.

A centralized acquisition and program approach can facilitate the establishment of standards, promulgate shared best common practices, provide an organized and comprehensive evaluation of alternatives, and lend a sensible and unified approach to contract and program review and refreshment over the life-span of the resulting program. For national network requirements, such as those intended to be within the scope of “Networx,” a centralized approach also reduces transaction costs for the government and for industry participants thereby making the procurement action more efficient for the parties involved.

Over the past several decades, commercial entities have increasingly outsourced non-core activities so that they can focus on their core business. GSA’s centralized procurement and acquisition center provides a similar outsourcing capability for Federal agencies. Smaller agencies that may not have sufficient means to conduct their own comprehensive procurements derive clear benefits through this arrangement. Even large agencies with more sophisticated and comprehensive acquisition capabilities can benefit from GSA’s ability to aggregate Federal buying power, and from their highly specialized expertise in telecommunications acquisition and management.

#### **V. Transition Strategies and Costs & Contract Performance Period:**

The transition from one major program to another is a daunting task. Direct costs, in the form of service initiation charges, reconfiguration charges as well as indirect costs, in the form of lost productivity, possible interruption of operations and temporary loss of service can be substantial. The time, capital and human

resource commitments required by the government as well as the vendor community weigh heavily in the complex calculus of an agency's decision to make a change, and thus have a direct link to the contract's period of performance.

The transition from the original FTS program to FTS2000 took roughly eighteen (18) months and reportedly cost several hundred million dollars. Approximately ten years later, the transition from FTS2000 to FTS2001 took roughly two years to complete and also came at a substantial cost. The magnitude of these tangible and intangible transition costs creates inertia against change, and suggests strongly that agency movement between programs and among approved vendors is not something that is taken lightly nor engaged in frequently. However, in order for there to be sufficient business opportunity to drive competition at the time of contracting, transition must be a practical and sensible option for agencies as they evaluate the costs and benefits of making a change.

In order for Networx to represent a meaningful business opportunity to industry, GSA must balance these competing factors and provide a substantial period of performance together with an appropriate revenue commitment for all successful bidders. This can be accomplished by: 1) establishing a sufficient contract period of performance, 2) creating a shared financial resource available to agencies to defray the one-time costs of transition, and 3) providing minimum revenue guarantees sufficient to motivate competition and rationalize specialized investment that may be required to comply with the requirements of the Networx

program. Without a substantial contract performance period, the cost of transition cannot be amortized over a sufficient amount of time that rationalizes movement between program vendors. Industry will also find it more difficult to rationalize a business case supporting the costs of bidding, transitioning customers and investing in unique systems and capabilities required to meet mandatory requirements. Without a centralized transition resource a substantial barrier to entry exists since non-incumbent bidders will discount the prospective value of any replacement program by the probability that agencies will simply not be able to rationalize the one-time cost of transitioning to their network. For these reasons, Winstar recommends a ten to fifteen-year contract performance period for the Networx program, and further that the term should be structured as two or three five-year periods. Furthermore, each Networx contract should include a minimum revenue commitment sufficient to motivate the initial competition and justify the investment required to capture the business and satisfy government-unique requirements. In sum, GSA should act to remove any inherent bias in the process so that all vendors have an equal opportunity and motivation to win the business.

## **VII Billing Requirements**

As with any business opportunity, industry must evaluate the revenue potential against the cost of acquiring and maintaining that revenue. The Federal government has longstanding and unique requirements for billing telecommunications services. As the cost of telecommunications services has

declined over the past decades, the rationale for many of these unique requirements has diminished. The government and industry have jointly recognized this fact and have made changes to rationalize certain billing requirements. Winstar hopes that this trend will continue into the Networx program and that the requirements for billing Networx services will approximate as closely as possible those found in the commercial marketplace.

Specialized system development and ongoing maintenance and support for unique “one-off” systems add substantial costs for industry vendors. As such, these costs must either be passed on to government customers or they diminish the profit margins available to industry. In either instance, if the unique billing requirements are not essential for satisfying specific accounting or payment regulations, the resulting service prices to agency customers are less than optimal. We know from the Interagency Management Council that one of the agencies’ top priorities is to maintain the unprecedented low prices for key voice and data services. If this goal is to be achieved, there needs to be a sensible limit on unique mandatory billing requirements. The details of these requirements will become clearer as we are provided with the draft request for proposal.

#### **VIII Services and Technologies Required by Agency Users:**

In order for the General Services Administration and the federal agency users to achieve maximum benefit through the Networx program, there must be a means for ensuring that both mature and leading edge technologies are available to agency users. By mandating fourteen (14) major service categories, each with

multiple sub-service components that must be provided on a ubiquitous basis, the Networx program will inherently limit the number of potential vendors to only the largest telecommunications companies. At a time in our history when technology advances and service innovation is occurring at such a rapid pace, this broad mandate and resulting limitation on potential prime bidders will produce a sub-optimal competition. It may very well be possible for smaller companies to join the teams of larger bidders as a means for participating in the program. However, by simplifying the mandatory service requirements and relaxing the need for service ubiquity, Winstar believes Networx will produce substantially more competition at the time of contracting by expanding the universe of potential bidders, and enhance competition post-award by allowing specialized companies to vigorously compete where they have their strengths.

## **IX. Conclusion**

In conclusion, I would like to again congratulate GSA for their accomplishments through the FTS2001 and MAA program initiatives. Like the telecommunications industry, GSA has had to manage very complex programs through difficult and challenging times over the past few years while continuing to deliver exceptional value to its agency customers. At this time in our nation's history where homeland security and the safety of our citizens are some of our greatest challenges, I submit that economic savings should not be the most important objective for the Networx program. Instead, our collective focus in this procurement should be on ensuring that the Networx program does everything

possible to guarantee that the agencies of our Federal government are able to communicate without interruption, that telecommunications capabilities are available to facilitate the efficient operation of government in routine and crisis situations, and achieve these objectives by taking full advantage of the strengths of as many telecommunications companies as possible.