

WRITTEN STATEMENT OF
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Good Morning. Chairman Towns, Ranking Member Issa, and members of the committee: My name is Diana Gowen and I am pleased to address the committee on the important matter of the transition from the General Services Administration (GSA) Federal Technology Services' FTS2001 Program (FTS2001) to Networx. I am the Senior Vice President and General Manager of Qwest Government Services, Inc. (QGSI) the wholly owned subsidiary of Qwest Communications International Inc. - a Fortune 200 company with more than \$12 billion in 2009 revenues. We are exclusively dedicated to providing services to the United States Government. We are an awardee of both Networx Universal and Networx Enterprise contracts. As you may have heard in the news recently, Qwest is merging with CenturyLink. The merger will be a combination that enhances the national breadth and local depth of Qwest's communications assets.

By way of background, Networx, with a ceiling of \$68 billion across eight contracts and five companies, represents the largest telecommunications acquisition ever awarded by the federal government. It is a key technology program for both GSA and industry, delivering basic and advanced communications and information technology solutions that improve our government's ability to serve the American public. Without these vital solutions, Qwest customers such as the National Aeronautics and Space Administration (NASA) and the Department of Veterans Affairs would not enjoy the benefits of high speed broadband network solutions that support the Space Station's scientific collaboration as well as patient care

in service to our nation's veterans. These communication and IT services are enabling the Department of Homeland Security (DHS) to fulfill its strategic training goals for border patrol agents and the State Department to deliver its foreign policy information on domestic and international websites. Clearly, the Networx program is a critical influence in the development and growth of the nation's network and computing infrastructure; these are but a few examples of the agencies we serve today who are reaping the benefits of the Networx consolidated acquisitions -- commercially available communications services delivered at lower cost and with greater efficiency than acquisitions by individual agencies.

I'm here to address five questions concerning the progress made to date on Networx transitions. Let's start with some of the root causes of the Networx transition failure.

First, the government stated it wanted Networx to be more innovative, cost effective, and transformative than prior GSA contracts. Industry welcomed this change. Unfortunately, to accommodate these goals, the Networx contracts were so vastly different from the two predecessor programs that agencies had to learn a new complex price and service structure while updating their inventory of services. With a loss of key contracting and technology staff, heightened focus on the Office of Management and Budget (OMB) compliance issues and a 42-month extension of FTS2001, Networx transition fell to the bottom of the pile. 'Incumbentitis' and status quo set in, and agencies heaved

a sigh of relief, let inventory records grow stale and had no incentive to plan or move forward.

Even for agencies that started the process shortly after award of Networx -- the Department of Treasury with TNet and DHS with OneNet -- and who have long ago made decisions on their suppliers, transition is still not complete. And there are long awaited data network awards still forthcoming from the Departments of Agriculture, Defense and the Social Security Administration, to name a few.

All of the issues could have been overcome if GSA had simplified the procurement process and helped individual agencies, including providing a means to avoid the sustained 10 protests. After three years and almost a billion dollar loss of savings accruing at \$20 million dollars per month, a lot of technical and contracting help could have been provided for the cost of doing nothing.

These problems have been largely ignored by several oversight agencies since the award of the Networx contracts more than three years ago. OMB, GSA, the Government Accountability Office (GAO), and the Chief Information Officers (CIO) Council should not feel good about where we are.

And while the pre-award procurement phase of the Networx program received extensive oversight and participation by congressional, government and industry leaders, the pre-award transition planning and program execution did not receive that same focused level of attention. There has

been no sense of urgency attached to transition and no priority placed on updating asset inventory records, making it difficult for the government to define its baseline requirements and convert inventory records into post-award service orders. Each agency has been left to decide how, when and if they would place task orders against the Networx contracts.

Exacerbating all of the above were two critical choices GSA made in 2006, before Networx was awarded. First the decision was made to extend the legacy contracts for 42 months. The FTS2001 contracts marched full speed ahead with no line in the sand stopping new orders. In fact, recently FTS2001 has more new orders than Networx. At the same time, GSA offered agencies incentives through transition credits, yet continued to extend the transition credit deadlines, with the unfortunate effect of institutionalizing and reinforcing the practice of poor planning.

Secondly, GSA's decision to measure transition progress by a flawed metric -- counting widgets rather than revenue -- charted an illusion of progress.

It's an illusion where agencies have forfeited much in taxpayer savings and foregone the opportunity to fund important new mission-critical and citizen-impacting initiatives, like cyber security, an unfunded mandate that could have been funded from the savings generated by the new contracts.

Second, you asked about the Procurement Process.

The government's fundamental concept of acquiring telecommunication goods and services from the private sector has remained philosophically intact over the last two decades, even as the evolution of the telecommunications landscape shifted radically from separate local and long distance companies to today's next generation of broadband communication integrators.

And as the industry landscape changed, so too did GSA's procurement method for deciding which telecommunication carrier would provide service to which agencies. The procurement process has evolved from a mandatory source of supply in the late 1980s where agency users were assigned by GSA between two service providers, to FTS2001 where GSA provided agencies a choice in which carrier would serve them, and finally to Networx, where Fair Opportunity became more formalized and the choices expanded to two separate contracts and five carriers.

Whereas under FTS2001 there were only two agencies, the Departments of Agriculture and Justice, and they conducted elaborate Fair Opportunity competitions with Statements of Work (SOWs), with both of those competitions conducted after transitions had been completed. Under Networx, the procurement process has become too complex with too few knowledgeable procurement and technical resources. Agencies have been unable to make Fair Opportunity decisions quickly.

Through the end of April 2010, 30% of the agency selection decisions have been made using the SOW process, the most protracted procurement method available to agencies. Additionally, rather than transition like for like services as GSA expected, agencies have opted to transform, developing far-reaching and complex procurements. This choice coincided with the passage of the 2008 Defense Appropriations Bill, which changed the rules of engagement on Task Order protests.

Unfortunately, agencies did not conduct their Fair Opportunities with the rigor one would expect in a FAR Part 15-like procurement. The result was, as I mentioned earlier, 10 protests which were all sustained. Trepidation around protests became the focus rather than simplifying the SOWs and making the evaluation criteria more straightforward, adding further delays. Agencies should have simply developed their SOWs and evaluation criteria and rigorously evaluated against them.

The fallout for industry has been the inability to reliably forecast workload.

The fallout for the government and the taxpayer is that most cabinet-level agencies' data networks have not been awarded, much less transitioned: the Departments of the Interior and Agriculture, Health and Human Services, Social Security Administration, and all administrative data networks for the Department of Defense (Internet Services, Private Line Services, Wide-area Data Networks, and the

National Guard's Network) all remain to be awarded or awarded without protest. These networks represent the bulk of the dollars that need to end billing on FTS2001 and be transitioned to Networx. There is \$1 billion left to be transitioned from FTS2001 to Networx, as of April 2010 GSA data.

Has Qwest assisted in Networx Transition?

Yes. Qwest has made a very significant investment in this process – tens of millions dollars in people and tools -- for proposal, contracting, program management, staff training, and educating agencies on Networx contract services, features and benefits. Despite all of this investment, when agencies are finally able to make Fair Opportunity decisions and make an award, they then struggle to provide accurate inventories and get on with transition.

What steps would expedite transition?

As we prepare for the bow wave of orders to meet this latest GSA-imposed deadline, I would offer that increased agency/industry dialogue, pricing comparisons or requests for pricing quotations would speed the process; and if proposals are necessary, make them oral. The use of SOWs should be eliminated. Instead, agencies should conduct more thorough market research and use all available tools, including business-to-business systems, for initial analysis. Awards should be based on standard Networx offerings; avoid customization; bundle services; and transition like for like and transform later. For those

agencies that have proposals in hand, evaluation criteria should be followed and a decision should be made. Then agencies should build a project timeline and stick to it. Implementation staff should be held accountable.

Secondly, other stakeholders such as GSA might want to focus on what they do best. For instance, GSA should assign acquisition resources to partner with each agency throughout the procurement process and then reward these professionals for developing customer relationships that translate into success. Or, GSA could use its interagency agreements to enforce schedules and consequences for schedule delays. Or, the Interagency Management Council (IMC) could elevate this program to critical status and publish progress reports on publicly available dashboards. Even OMB and/or the Office of Procurement Policy could hold agencies accountable for accurate asset management by using its budgeting power to wield telecom savings through agency consolidation of local/long distance, data/voice resources and by addressing outsourced overhead functions that drive increases in telecom budgets (e.g., inherently governmental integration functions).

What has been working well?

I am encouraged by GSA Administrator Martha Johnson's focus on transparency, innovation, operational excellence and customer intimacy. In the long term, this vision will push GSA to make better customer support decisions. Short term, we need GSA's continued collaboration with OMB, the CIO Council and IMC leadership.

In summary, the consequences of the delays to industry cannot be ignored.

There is real economic harm. We need oversight by agencies, GSA, OMB, and the legislative branch to create a sense of urgency. The cost of Networx bids and proposals for these extended Fair Opportunities and the subsequent delays in transition are leading to a 'death spiral' of costs chasing declining revenues and profitability. In the long term, industry could lose faith that GSA can effectively manage Government-wide Acquisition Contracts (GWACs) and, likely, deep volume discounts will disappear. Industry needs a fair recovery and confidence that the government will robustly engage with the Networx program in the future.

We recommend Congress and OMB encourage GSA to extend the Networx contracts for an additional five years and to freeze the rate structure at today's contract year-three rates until at least 80% of the dollars on FTS2001 have been moved to the Networx contract.

A final note: OMB's Trusted Internet Connection (TIC) initiative resulted in a strategic modification being sent to the Networx contractors to provide Managed Trusted Internet Protocol Services (MTIPS) through Networx. So, although we had yet to realize any return on the initial investments under Networx, and despite the transition delays we've discussed, industry, at GSA's behest, has spent millions again to accommodate the need and provide a

solution for the nation's cyber security needs and initiatives. Results to date? Little to no transition, despite the OMB mandate. What's the penalty for agency non-performance? None to date. Many agencies are trying to build their own solutions when a commercial solution already exists that could satisfy their needs today.

It is time to make some basic changes to ensure the government gets the best deal, industry is treated fairly, and agencies get the chance to transform to modern technology at world-class pricing.

I thank you for the opportunity to present Qwest's views on this important program, and I look forward to your questions.

¹ Part 16 of the Federal Acquisition Regulation (FAR) gives broad discretion to make Fair Opportunity decisions, but when the results of the transition to Networx are objectively viewed, despite the efforts on the part of GSA and OMB, the agencies have not been tutored enough in how to transition or the agencies have ignored good advice. SOWs are unique and complex, and have taken an inordinately long time to develop, and often an even longer time to evaluate and eventually award.