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Testimony

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**TELECOMMUNICATIONS**

**GSA Faces Challenges in  
Planning for New  
Governmentwide Program**

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Highlights of [GAO-04-486T](#), testimony before the Committee on Government Reform, House of Representatives

## Why GAO Did This Study

The General Services Administration (GSA) has initiated planning for its next-generation telecommunications acquisition program, known as *Networx*, which will replace the current Federal Telecommunications System (FTS) 2001 for long-distance and international services. It will also replace contracts for wireless and satellite communications products and services.

Planning for this acquisition is occurring within an environment of tremendous change—in the industry, in underlying services and technology, and potentially in the regulatory environment. In this context, *Networx* can offer a significant opportunity for the federal government to flexibly acquire telecommunications services at competitive rates and apply innovative solutions to improving agency operations.

At the request of the committee Chairman, GAO is providing an overview of acquisition planning steps completed to date, along with its assessment of challenges facing GSA and federal agencies as this acquisition proceeds.

[www.gao.gov/cgi-bin/getrpt?GAO-04-486T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-486T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda D. Koontz at (202) 512-6240 or [koontzl@gao.gov](mailto:koontzl@gao.gov).

## TELECOMMUNICATIONS

# GSA Faces Challenges in Planning for New Governmentwide Program

## What GAO Found

Over the past year, GSA has acted to ensure that all interested parties—including industry and agency users—have had a chance to comment on the development of the successor to FTS2001 and associated contracts. In its planning for the *Networx* acquisition, GSA cited five goals for the program: (1) continuity of telecommunications services, (2) best value, (3) strong competition, (4) a broad range of services and providers in a changing marketplace, and (5) expanded opportunities for small businesses. To achieve this, GSA plans two acquisitions: *Networx Universal*—broad-ranging services with global coverage, and *Networx Select*—leading-edge services but more geographically limited. The table below displays GSA's proposed schedule for the two contracts.

**GSA's proposed schedule for *Networx Universal* and *Networx Select* acquisitions as of February 2, 2004**

Milestone	<i>Networx Universal</i>	<i>Networx Select</i>
Draft RFP <sup>a</sup> released	Spring 2004	Winter 2005
Draft RFP responses due	Summer 2004	Spring 2005
Final RFP released	Fall 2004	Summer 2005
Final RFP responses due	Winter 2004	Fall 2005
Source selection complete	Fall 2005	Summer 2006
Contract award(s)	Winter 2005	Fall 2006

<sup>a</sup>Request for proposals

Source: GSA

To take full advantage of the opportunities offered in these new contracts, GSA will need to address four key challenges:

- Ensuring that an adequate inventory of information about existing telecommunications services and assets is available, to give planners an informed understanding of governmentwide requirements.
- Establishing specific measures of success to aid acquisition decision making and effective program management.
- Structuring and scheduling the contracts to ensure timely delivery of competitively priced telecommunications services that meet agency mission needs.
- Ensuring a smooth transition from the current contracts by initiating appropriate implementation planning actions.

Both leadership from GSA and commitment from stakeholders in resolving these issues will be essential to establishing efficient, cost-effective, and secure telecommunications services. If this can be achieved, the *Networx* contracts will be optimally positioned to leverage the power and creativity of today's telecommunications marketplace to carry the federal government forward well into the 21<sup>st</sup> century.

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Mr. Chairman and Members of the Committee:

I am pleased to participate in the Committee's hearing on the General Services Administration's (GSA) next generation governmentwide telecommunications acquisition program, known as Networx. As you know, GSA's planning for this program is taking place within an environment of tremendous change—in the telecommunications industry, in underlying services and technology, and potentially in the regulatory environment. In this context, the Networx initiative can be viewed as a significant opportunity for the federal government to flexibly acquire and apply innovative telecommunications services offered by industry to improve agency operations. As requested, today I will discuss the background for this current initiative and provide an overview of the acquisition planning activities completed to date. I will also describe four challenges that GSA and executive branch agencies will need to address in the next few months as planning for this major acquisition proceeds.

In brief, over the past year, representatives of GSA, federal agencies, the Interagency Management Council (IMC), the telecommunications industry, and other interested parties have engaged in planning and dialogue over the replacement for the current Federal Telecommunications System (FTS) 2001 and associated contracts. This replacement acquisition program is known as FTS Networx.<sup>1</sup> GSA and the IMC have taken steps to ensure that all interested parties have had an opportunity to comment on at least a portion of their plans for this major initiative and to help refine their acquisition strategy. Nevertheless, significant challenges remain for GSA and the IMC to address in the coming months to help ensure a successful outcome for a more clearly and fully defined Networx program with respect to

- ensuring that adequate inventory information is available to planners to provide an informed understanding of governmentwide requirements;
- establishing measures of success to aid acquisition decision making and enable effective program management;
- structuring and scheduling the Networx contracts to ensure that federal agencies have available to them the competitively priced

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<sup>1</sup>The IMC consists of senior government information resources management officials from agencies using FTS 2000. The council provides guidance to GSA officials in administering telecommunications contracts.

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telecommunications services they need to support their mission objectives; and

- initiating the implementation planning actions needed to ensure a smooth transition from current contracts to Networx.

My remarks today are based on our previous reviews of GSA's federal telecommunications programs, including implementation of the current FTS2001 contracts, as well as research to date into sound telecommunications planning and management practices that you recently requested. In addition, we reviewed comments submitted by industry and federal agencies to a request for information issued by GSA last October to provide information to potential industry offerors regarding its Networx program plan, and to solicit comments from industry regarding its acquisition strategy. We also attended the Industry Advisory Council's February 17, 2004, forum held to obtain additional industry views on the Networx program and strategy.<sup>2</sup> We conducted our work in January and February 2004, in accordance with generally accepted government auditing standards.

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## Background

According to GSA, its Federal Technology Service, in conjunction with the IMC, is responsible for ensuring that federal agencies have access to the telecommunications services and solutions needed to meet mission requirements. Its current program to provide long- distance telecommunications services—FTS2001—has two goals: to ensure the best service and price for the government, and to maximize competition for services.

In implementing this program strategy, GSA awarded two contracts for long-distance services—one to Sprint in December 1998 and one to MCI WorldCom in January 1999. Under the terms of these contracts, each firm was guaranteed minimum revenues of \$750 million over the life of the contracts, which run for four base years and have four 1-year-extension options. If all contract options are exercised, those contracts will expire in December 2006 and January 2007, respectively. According to GSA, federal

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<sup>2</sup>The Industry Advisory Council is a broadly based organization of information technology professionals representing more than 400 companies nationwide that provide products and services to the government. Member firms include telecommunications companies, hardware and software providers, systems integrators, and professional services companies.

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agencies spent approximately \$614 million on FTS2001 services during fiscal year 2003 alone.

Related governmentwide telecommunications services are provided by other GSA contracts: the Federal Wireless Telecommunications Service contract and the FTS Satellite Service contracts. The wireless contract was awarded in 1996 to provide wireless telecommunications products and services to all federal agencies, authorized federal contractors, and other users. The satellite services contracts are a series of contracts for a variety of commercial off-the-shelf satellite communications products and services, including mobile, fixed, and broadcast services. According to GSA, these contracts will expire in late 2004 and in 2007, respectively.

We have periodically reviewed the development and implementation of the FTS2001 program and assessed its progress. In March 2001 we reported to you on the delays encountered during the government's efforts to transition from the previous FTS 2000 to the FTS2001 contracts, the reasons for those delays, and the effects of the delays on meeting FTS2001 program goals of maximizing competition for services and ensuring best service and price.<sup>3</sup> We recommended that GSA take numerous actions to facilitate those transition efforts. In April 2001 in testimony before you, we reiterated those recommendations and noted that the process of planning and managing future telecommunications service acquisition would benefit from an accurate and robust inventory of existing telecommunications services.<sup>4</sup> Ultimately, GSA acted on our recommendations and the transitions were successfully completed.

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## GSA's Networx Program Development Actions Are Continuing

GSA is now planning its FTS Networx acquisition program, including the awarding of new governmentwide contracts for a broad range of long distance and international voice and data communications services, wireless services, and satellite telecommunications services. These contracts are intended to replace the existing FTS2001, Federal Wireless Telecommunications Service, and FTS Satellite Service contracts. GSA and the IMC has identified five goals for the Networx acquisition program:

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<sup>3</sup>U.S. General Accounting Office, *FTS2001: Transition Challenges Jeopardize Program Goals*, [GAO-01-289](#) (Washington, D.C.: March 30, 2001).

<sup>4</sup>U.S. General Accounting Office, *FTS2001: Contract Transition Delays and Their Impact on Program Goals*, [GAO-01-544T](#) (Washington, D.C.: April 26, 2001).

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- Meet agency needs for a comprehensive acquisition that provides continuity of current telecommunications services and solutions.
  - Obtain best value (lowest prices while maintaining quality of service levels) for all services and solutions.
  - Encourage strong competition for the initial contract award(s), and ensure continuous competition throughout the life of the program.
  - Respond to the changing marketplace by providing agency access to a broad range of services and service providers.
  - Provide expanded opportunities for small businesses.

To achieve those goals, the program calls for two acquisitions—Networkx Universal and Networkx Select. The Networkx Universal contracts are expected to satisfy requirements for a full range of national and international network services. According to GSA, Networkx Universal seeks to ensure the continuity of services and prices found under expiring contracts that provide broad-ranging service with global geographic coverage. GSA expects all Networkx Universal offerors to provide a full range of voice and data network services, managed networking services and solutions, and network access, wireless, and satellite communications services. This acquisition is expected to result in multiple contract awards to relatively few offerors because few are expected to be able to satisfy the geographic coverage and comprehensive service requirements. GSA also intends to apply competitive incentives to obtain best value for its customer agencies, although those incentives are not yet defined. Further, GSA expects to establish minimum revenue guarantees for these contracts.

In contrast, GSA plans to award multiple contracts for a more geographically limited set of services under Network Select. GSA generally describes these Select contracts as providing agencies with leading edge services and solutions with less extensive geographic and service coverage than that required by Networkx Universal; specific Networkx Select service requirements have not yet, however, been defined. Details of pricing structures and Select service delivery mechanisms are planned to be provided in the Networkx Select request for proposals, which GSA intends to release in the summer of 2005.

GSA anticipates awarding both the Networkx Universal and the Networkx Select contracts well before the expiration of the FTS2001 contracts.

Networx Select will be awarded approximately 9 months after Networx Universal. Table 1 displays GSA's schedule for these two acquisitions:

**Table 1: GSA's proposed schedule for Networx Universal and Networx Select acquisitions as of February 2, 2004**

Milestone	Networx Universal	Networx Select
Draft RFP <sup>a</sup> released	Spring 2004	Winter 2005
Draft RFP responses due	Summer 2004	Spring 2005
Final RFP released	Fall 2004	Summer 2005
Final RFP responses due	Winter 2004	Fall 2005
Source selection complete	Fall 2005	Summer 2006
Contract award(s)	Winter 2005	Fall 2006

Source: GSA

<sup>a</sup>Request for proposals

## Challenges Remain Before Finalizing the Networx Acquisition Program Strategy

Notwithstanding the acquisition planning activities completed by GSA and the IMC to date, these entities face significant challenges in finalizing their program strategy to ensure that Networx is appropriately defined, structured, and managed to deliver those telecommunications services and solutions that will enable federal agencies to most efficiently and effectively meet their mission needs. Specifically, these challenges include:

- *Ensuring that adequate inventory information is available to planners to provide an informed understanding of governmentwide requirements.*
- *Establishing measures of success to aid acquisition decision-making and enable effective program management.*
- *Structuring and scheduling the Networx contracts to ensure that federal agencies have available to them the competitively priced telecommunications services they need to support their mission objectives.*
- *Initiating the implementation planning actions needed to ensure a smooth transition from current contracts to Networx.*

## Ensuring Adequate Inventory Information

It is important that GSA and its customer agencies have a clear understanding of agency service requirements in order to make properly informed acquisition planning decisions. According to our ongoing

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research on best practices in telecommunications acquisition and management, clear understanding comes at least in part from having an accurate baseline inventory of existing services and assets. More specifically, an inventory allows planners to make informed judgments based on an accurate analysis of current requirements and capabilities, emerging needs that must be considered, and the current cost of services. Although leading organizations acknowledge that establishing and maintaining such an inventory may be difficult, they view this baseline as an essential first step to high-quality telecommunications requirements analysis, and subsequent sourcing decisions associated with meeting those requirements.

Despite this importance, it is not clear whether GSA and federal agencies have yet established the comprehensive, accurate inventories needed to support Networkx planning. Mr. Chairman, you followed up on this issue in your December 17, 2003, letter to GSA asking to what extent such detailed inventories were currently being maintained and kept accurate and up-to-date for use both in acquisition planning and future contract transitions. In his response, the Administrator of General Services identified sources of information provided by GSA and the FTS2001 vendors—for example, monthly billing information—that would be helpful to agencies in developing inventories of existing services. In addition, the Administrator noted that GSA is examining methods of incorporating better billing and inventory data into the Networkx program where practical. However, the Administrator did not provide specific information on the extent to which these inventories exist, or whether agencies are periodically validating that information to ensure that it is accurate and complete. Further, the Administrator acknowledged that the accuracy and completeness of telecommunications service inventories varies among agencies. As a result, without a clear understanding by GSA and its customer agencies of the FTS2001 services used today and the applications they support, it is unclear how properly informed Networkx acquisition planning decisions can be made.

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## Establishing Measures of Success

Our research into recommended program and project measurement practices, which we affirmed in discussions with private-sector telecommunications managers, highlights the importance of establishing clear measures of success to aid acquisition decision making as well as to provide the foundation for accountable program management. Such measures define what must be done for a project to be acceptable to the stakeholders and users affected by it, and in so doing enables measurement of progress and effectiveness in meeting objectives.



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Although GSA has established program goals, it has not yet defined a comprehensive set of corresponding performance measures for the Networkx acquisition program. According to GSA's Assistant Commissioner for Service Delivery/Development, one of the criteria for measuring Networkx success will be identical to that used for FTS2001—that is, savings as measured by contract service costs compared with best commercial pricing. Further, according to this official, this was the sole measure reported to the Office of Management and Budget for FTS2001. While low pricing is an important criterion reflected in program goals, GSA has not yet defined measures about how well its final acquisition plan will deliver the value (service plus price) that agencies need to improve their operations and meet their mission needs. For example, GSA's Networkx environmental assessment indicates that agencies want this program to support network planning and optimization, include simple and understandable fees, provide management of contracts and contractors on the agencies' behalf, and include other elements of value. GSA's Assistant Commissioner for Service Delivery/Development recognizes the importance of having such measures, and told us that GSA would be establishing such measures coincident with its actions to finalize the Networkx Universal RFP in the coming months. It will be important that GSA follow through on this commitment to establish that appropriate set of measures to evaluate the intended business value of the Networkx program and enable the effective management of this significant program over time.

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### Structuring and Scheduling Contracts to Deliver Needed Services

Once agency requirements are adequately understood and measures of success defined, structuring and scheduling the Networkx contracts to successfully encourage industry competition to obtain low prices and high-quality, innovative services becomes the next challenge. The varying views of industry representatives commenting on the request for information raised fundamental questions about the soundness of the proposed acquisition approach for accomplishing this. For example, large, interexchange carriers, like those that hold the current FTS2001 contracts, generally agreed with the broad scope of the Universal contracts. They further suggested that services offered under Networkx Select and Universal should be mutually exclusive, and that all carriers should be allowed to compete for both.

In contrast, other carriers criticized the approach. These carriers asserted that some major telecommunications providers might be precluded from bidding on the Networkx Universal contracts because of the broad service and ubiquitous geographic coverage requirements described in the request

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for information. For example, one vendor stated that it was quite possible that only traditional long distance carriers could effectively bid for Universal, thus denying many players in the industry a realistic chance to compete for major portions of the federal long distance business. One carrier noted that, based on the procurement timetable, the timing of the award for the Select contracts would minimize the opportunity to compete for long-distance telecommunications services. Because of the 9-month lag between the Universal and Select acquisitions indicated in the proposed acquisition schedule, agencies could be asked to make decisions regarding their use of awarded Universal service contracts before information is available regarding Select leading edge services and solutions that may be more suitable for their needs.<sup>5</sup>

Defining an acquisition strategy that appropriately balances the need to ensure the continuation of existing telecommunications services in all current government locations with encouraging strong competition to obtain best value is a daunting challenge. However, proceeding from a clear understanding of requirements and measures of success—as I previously discussed—should aid in meeting this challenge by providing guideposts for a decision that strikes an appropriate balance on contract scope, program structure, and acquisition schedules that can deliver to agencies competitively priced solutions that meet their mission needs. Further, continuing to solicit and effectively implement feedback from stakeholders should help GSA achieve this goal.

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## Initiating Implementation Planning to Ensure Smooth Transition

As we reported to you in March 2001, the current FTS2001 contracts got off to a rocky start as significant delays in transitioning to the new contracts hindered timely achievement of program goals.<sup>6</sup> Factors contributing to those delays included a lack of data needed to accurately measure and effectively manage the transitions, inadequate resources, and other process and procedural issues. Ultimately, GSA did take action on all of our recommendations and the transition to the FTS2001 contracts was finally completed. In subsequent testimony before you in April 2001 we noted the importance of incorporating the lessons learned from this transition into future procurements. Specifically, we stated that “the

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<sup>5</sup>GSA plans to award the Network Universal contracts at about the same time that it releases a draft request for proposals to solicit public review and comment on the Select services segment of this acquisition program.

<sup>6</sup>[GAO-01-289](#).

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process of planning and managing future telecommunications service acquisitions—both by GSA and by the agencies themselves—will benefit from an accurate and robust inventory of current telecommunications services. Further, the value of this critical program to customer agencies will be improved through the application of lessons learned in streamlining and prioritizing the contract modification process, in effectively and expeditiously resolving billing problems, and in holding contractors accountable for meeting agency requirements in a timely manner.”<sup>7</sup> Those in industry who commented on the Networx request for information also noted the need for strong and comprehensive program management to ensure successful transition, including not only the availability of accurate inventories but also defined contractor and government responsibilities.

While GSA recognizes the importance of transition planning, it has not yet fully addressed these issues. GSA has emphasized that its development of the Networx program included an analysis of lessons learned from existing programs and previous acquisitions. Further, in his February 11 letter in response to your inquiry about agency inventories, the Administrator outlined the proactive steps GSA plans to take, including actions to establish a working group and to improve the availability of accurate inventory information to support the transition. According to the GSA’s Associate Commissioner Service Delivery/Development, these actions will also include developing processes and procedures, identifying funding needs, and training agency personnel in order to support a smooth contract transition. As acquisition plans are finalized in the coming months, it will be important that GSA follow through on these initial steps to ensure that the transition to the new contracts proceeds efficiently and seamlessly, and that a repeat of the FTS2001 transition difficulties is avoided.

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In summary, Mr. Chairman, Networx represents a critical opportunity to leverage the strength and creativity of the telecommunications marketplace to make the vision of delivering to agencies the telecommunications business solutions they need to perform their missions better and more cost-effectively a reality, and in so doing to carry the federal government forward well into the 21st century. To accomplish this, however, GSA will need to overcome significant challenges and

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<sup>7</sup>[GAO-01-544T](#).

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demonstrate solid leadership. Likewise critical will be stakeholder commitment. Actions taken and decisions reached in the coming months to more fully define the Networx program and finalize an appropriate acquisition strategy will significantly influence the telecommunications choices federal agencies will have for the next several years. Unless GSA follows through to resolve the challenges outlined today, the potential of Networx may well not be realized.

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Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other members of the Committee may have at this time.

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## Contact and Acknowledgments

Should you have any questions about this testimony, please contact me by e-mail at [koontzl@gao.gov](mailto:koontzl@gao.gov) or Kevin Conway, Assistant Director, at [conwayk@gao.gov](mailto:conwayk@gao.gov). We can also be reached at (202) 512-6240 and (202) 512-6340, respectively. Another major contributor to this testimony was Michael P. Fruitman.

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