



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

August 28, 2008

M-08-26

MEMORANDUM FOR CHIEF INFORMATION OFFICERS

FROM: Karen S. Evans  
Administrator  
E-Government and Information Technology

SUBJECT: Transition from FTS2001 to Networx

In order to achieve maximum cost savings for the Federal Government and to improve overall security, the Federal Chief Information Officer (CIO) Council conducted a cost benefit analysis evaluating the potential Federal benefit to using the General Services Administration (GSA) Networx contract for information technology services. An executive summary of the analysis is provided in the attachment.

Based on the findings of the analysis, agencies shall use the General Service Administration (GSA) Networx contract to satisfy requirements currently being met via the FTS2001 contract. Networx can also assist agencies in meeting the requirements of OMB M-08-05, Implementation of Trusted Internet Connections<sup>[1]</sup> (TIC), which requires agencies to optimize individual external connections, including internet points of presence currently in use by the federal government. This will improve the federal government's incident response capability through the reduction of external connections.

In accordance with the Interagency Management Council's Networx Taxonomy Document, agencies are required to assemble their FTS2001 requirements inventory and make "Fair Opportunity" decisions regarding the Networx contractors to which they will transition their FTS2001 services prior to September 30, 2008. In addition, agencies will need to demonstrate, using a cost-benefit analysis, any decisions not to use Networx to fulfill future requirements to include National Security System (NSS) requirements and TIC requirements.

The analysis must include requirements that are specifically priced in, or are within scope of, the Networx Universal or Enterprise contracts to include requirements that can be satisfied by competing a Networx statement of work (SOW).

The analysis should include the following items:

1. A description of requirements to be satisfied, including consideration of special needs such as timeliness, location, or use.
2. A full comparison of comparable acquisition costs and prices of pre-priced services on alternative contracts (encompassing alternatives that solely rely on Networx services,

those solely relying on services from sources other than Networx, and/or those relying on some combination of services from both Networx and non-Networx sources) to meet all agency requirements. This comparison must include consideration of all government costs such as contracting costs, service bridging, transition costs, etc.

3. An assessment of risk/risk factors associated with each alternative course of action including consideration of cost, risk, technical risk, schedule risk, and overall mission support risk.

Agencies shall have their analyses reviewed and approved by appropriate agency acquisition authorities. If agencies seek to contract for services from sources other than Networx, the requirements officials must get this approach approved by their department's CIO. In special situations, including those in which an independent agency is the proponent of the analysis, the Federal CIO Council will serve as the review and approval authority. In addition, the Council will serve as an independent review body to evaluate and make recommendations on these analyses at the request of either a Council member or the Council Chair.

Agencies shall not contract for services to satisfy requirements not currently met by FTS2001, to include NSS requirements, until the cost-benefit analyses have been approved by the appropriate approval authority. Where the approved analysis indicates a solution either solely or partially relies on services from sources other than Networx, agencies should procure these requirements from other sources. Questions on the cost benefit analysis should be directed to Michael Ponti at [Michael.Ponti@osd.mil](mailto:Michael.Ponti@osd.mil). Questions regarding Networx should be directed to Karl Krumbholz at [karl.krumbholz@gsa.gov](mailto:karl.krumbholz@gsa.gov)

Attachment

cc: Chief Acquisition Officers

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[1] <http://www.whitehouse.gov/omb/memoranda/index.html>



# **Use of GSA Network Contract for Federal IT Services**

## ***Cost Benefit Analysis (CBA)***

### **Initial Analysis and Recommendations Executive Summary**

# Use of GSA Networkx Contract for Federal IT Services

## *Cost Benefit Analysis (CBA)*

### Executive Summary

**1.0 Background.** The Department of Defense (DoD) Chief Information Officer (CIO) was asked by the Federal CIO Council Chair to conduct a Cost Benefit Analysis (CBA) to evaluate potential broad Federal benefit from use of the General Services Administration (GSA) Networkx contract for IT services as the basis for a mandatory use decision. This CBA was to take into account both Federal and DoD service needs and capture any available lessons learned from recent Agency activities related to satisfaction of IT service requirements.

**2.0 Analysis Approach.** The DoD CIO assembled a team consisting of Department of the Navy (DoN) CIO, Defense Information Systems Agency (DISA), Defense Information Technology Contracting Organization (DITCO), and ASD(NII)/DoD CIO participants, who regularly interfaced with GSA and other Federal Agency representatives as needed to gather information and vet analysis issues. The approach taken by the team is described in the following paragraphs:

**2.1 Contract Review.** The team spent considerable time evaluating both the Networkx Universal and Enterprise contracts to understand both the scope and the technical characteristics of potential service offerings on each. Although GSA is re-evaluating the Alliant proposals following a Government Accountability Office protest decision, the team also reviewed and considered the GSA Alliant integration services contract as initially awarded as a potential companion to the Networkx for meeting a "managed services" requirement beyond the scope of single Networkx priced items.

**2.2 Pricing Review.** The team obtained access to both the publicly available and Agency versions of the Networkx pricing tool and derived notional pricing under several scenarios to gain an understanding of the Networkx services pricing structure and dependencies. The team also examined Networkx's 10-year service-specific and aggregate pricing trends.

**2.3 Conducting Cost-Benefit Comparison of Using Networkx Services.** The team divided this analysis into the following categories of use:

- Use of Networkx to satisfy requirements that are currently being satisfied via the FTS2001 contract.
- Use of Networkx services to satisfy requirements not currently satisfied by FTS2001, including National Security System (NSS) requirements.

In both cases, the analysis focused on comparison of solutions for requirements that can be satisfied by a single Networkx priced service or combination of multiple Networkx priced services, as well as requirements

which can be satisfied via services associated with a Networx customer-specified statement of work (SOW). Analysis considerations included the following:

- Review of requirements to be satisfied, including consideration of special needs such as timeliness, location, or use.
- Where possible, a full cost comparison of candidate solutions that meet all Agency requirements, including consideration of other government costs such as contracting costs, service bridging, transition costs, etc.
- Review of risk/risk factors associated with alternative courses of action, to include consideration of cost risk, technical risk, schedule risk, and overall mission support risk.

**2.4 Review of “Lessons Learned.”** Both the Department of Homeland Security (DHS) and the Treasury Department put together SOWs for Networx “managed services” to satisfy their overall organizational needs. The team contacted both organizations, and through discussion and material review developed observations with regard to that activity.

### **3.0 Findings.**

**3.1 Contract Review.** Networx consists of two distinct contracts, the Universal (awarded first), and the Enterprise (which was tailored to solicit a broader vendor response). In all, five major IT services providers and their over 76 contract teaming partners make up the Networx offerings. Overall, Networx provides a menu of 50 "general" service offerings spread across the two contracts (*Universal:46 services, Enterprise:48*). Forty-four services are common to both contracts, with the Universal featuring two unique services, and the Enterprise featuring four unique services. Each service can be further broken down into specific types and sizes - in all, there are 45,000+ service offering possibilities via the contracts. Thirty of the service offerings on Networx are analogous to those offered on FTS2001, featuring similar technical specifications, and an additional 20 service offerings are new. Networx also features a flexibility to enable consideration of enhanced "managed services" - i.e. providing of an end-to-end enterprise networking capability on an SOW basis. This is a key distinction from previous GSA contract vehicles in that DoD and other Federal organizations that provide National Security Systems (NSS); have a requirement set that FTS2000/FTS2001 could not address. Accordingly, although these contracts were "mandatory use," NSS was excluded (Warner amendment). Given the added flexibility of SOW-based services, the potential exists to satisfy NSS requirements using Networx.

**3.2 Pricing Review.** In reviewing the Networx pricing tools, it was found there are some 28 million priced items between the two contracts. The pricing among the Networx vendors for similar services varies greatly (as much as

500% for some evaluated). Accordingly, there is some "assembly required" to fully price end-to-end service offerings. GSA-provided pricing data shows that, in the aggregate, Networkx common services prices will trend downward over the next 10 years. Examining some existing DoD IT common transmission service contracts, it appears the Networkx trending is consistent. However, additional, analysis reveals Networkx service pricing varies on a contract to contract basis, depending on the service and the vendor and, therefore, cannot guarantee savings in every instance.

### **3.3 Conducting Cost-Benefit Comparison of Using Networks Services.**

**3.3.1 Use of Networkx To Satisfy Requirements that are Currently Being Satisfied Via the FTS2001 Contract.** Given 30 of the Networkx service offerings are technically similar to offerings on FTS2001, requirements may be satisfied using the Networkx contract for those services previously acquired under the FTS2001 contract. In comparing Networkx services prices to those on FTS2001, great variability is seen based on contract and vendor – some Networkx vendor prices are considerably lower than FTS2001 vendor prices, but other prices are actually higher, even when taking into account 10-year trending. In some cases, a single vendor may exhibit this variability over the range of services offered. Regardless, overall the Networkx contracts offer the opportunity for significant cost savings over FTS2001. The key for Agencies is to assemble a complete requirements inventory, understanding the capability they wish to acquire, and conduct their “Fair Opportunity” assessment. Working with the DoD Networkx Transition Manager and reviewing the results of the DoD Fair Opportunity assessment, the team observed that there was substantial savings potential in using Networkx. Therefore, the team concluded that transitioning requirements currently being satisfied on FTS2001 to Networkx is a solid strategy. Accordingly, the team recommends that Agencies currently using FTS2001 should transition their services requirements to Networkx, unless there is a compelling reason to do otherwise.

### **3.3.2 Use of Networkx Services to Satisfy Requirements Not Currently Satisfied By FTS2001, Including NSS Requirements.**

**3.3.2.1 Unit Priced Services.** The CBA team is still investigating the extent to which the 20 new Networkx service offerings can satisfy Agency requirements at a lower price than like-services currently being procured through other contracts. Given many of these new services are either unique to Networkx or are piece-meal services (services that are singular entities as opposed to an enterprise services focused offering), it was very difficult for the team to

**3.3.2.2 *Networx SOW-based Services.*** Networx is more flexible than previous GSA Government-Wide Acquisition Contracts (GWACs). The Networx contracts allow Agencies to develop SOWs for services not part of any pre-priced Contract Line Item. Therefore, though NSS requirements are not specifically addressed by the menu-based services, this capability provides an opportunity for Agencies to use Networx to fulfill NSS requirements. To that end, as Agencies are developing CBAs for acquisition of services, to include NSS services, they should incorporate consideration of a Networx option, to determine whether requirements satisfaction, cost, and risk considerations are better on Networx than alternative contracts available for use. This will require effort to determine requirements and develop an SOW for managed services, and may potentially require the Networx contractors to provide SOW-based pricing. The decision to use Networx or an alternative source needs to be overseen and approved by a top-level authority within each Agency. In those instances where additional decision support is needed, the team recommends that analyses be presented to the Federal CIO Council.

**3.4 Review of “Lessons Learned.”** DHS provided the team with their SOW associated with their “OneNet” solicitation which was in Networx Source Selection. The SOW presented the listing of service requirements, however, no cost data was available to review. Because DHS was still in evaluation, they did not have any CBA-like documents available for review; therefore, there were no lessons which could be shared. The Treasury Department provided the team several documents associated with their “TNet” solicitation. One of the documents provided was an alternatives assessment between Networx Enterprise and Universal services as the primary services provider. Of eight criteria evaluated, cost was not considered because Universal prices were not available and Enterprise was not awarded at that time. The Treasury alternatives assessment assumed a savings of \$3M a

month for new service using Networx vice the former Treasury approach. Therefore, at the time the team was unable to gain much insight from Networx contract use cases of other Federal agencies.

**4.0 Recommendations.** Based on this review, the CBA team recommends the following concerning contracting for replacement of expiring and/or new Information Technology services:

- Agencies use Networx to satisfy requirements that are currently being satisfied via the FTS2001 contract. In order to achieve maximum cost savings for the Federal Government, Agencies should assemble a complete requirements inventory (fully representative of Agency use and capability needs) and perform timely, accurate “Fair Opportunity” Assessments (analysis and selection of Networx vendors’ priced service offerings) on that inventory.
- Agencies demonstrate Networx services were considered to satisfy requirements not currently satisfied by FTS2001, including National Security System (NSS) requirements, by including use of Networx as an option in performing cost-benefit analysis (CBA). This pertains to requirements that can be satisfied by a single Networx priced service or combination of multiple Networx priced services, as well as requirements which can be satisfied via services associated with a Networx customer-specified statement of work (SOW). Analysis must include as a minimum the items described in paragraph 2.3 above.
- Agencies have their analyses reviewed and supported by appropriate Agency acquisition authorities, and, in cases in which they seek to contract for services from sources other than Networx, present them for approval to their respective Cabinet-level Department CIO. In special situations, including those in which an independent Agency is the proponent of the analysis, the Federal CIO Council should serve as the Cabinet-level review and approval authority. In addition, the Council should serve as an independent review body to evaluate and make recommendations on these analyses at the request of either a Council member or the Council Chair.
- Agencies should not contract for services to satisfy requirements not currently satisfied by FTS2001, to include NSS requirements, until their CBAs have been approved by the appropriate approval authority. In those cases where the approved analysis indicates that a solution that either solely or partially relies on services from sources other than the Networx contracts best satisfies Agency requirements, Agencies should pursue requirements solutions from sources other than Networx.