



HOUSE COMMITTEE ON  
OVERSIGHT & GOVERNMENT REFORM

**OPENING STATEMENT OF  
CHAIRMAN EDOLPHUS TOWNS**

Hearing: "Running out of Time: Telecommunications  
Transition Delays Wasting Millions of Federal Dollars"

May 20, 2010

Good morning. Thank you all for being here today.

The purpose of today's hearing is to examine the Federal Government's delay in implementing Networx, a government-wide program for the procurement of telecommunications service for Federal agencies at substantial cost savings.

The theory behind Networx is a good one: the Federal government ought to be able to use its enormous bargaining power to obtain telecom services at a very substantial cost savings. That was the reason the General Services

Administration negotiated the Networx contracts on behalf of Federal agencies.

By all accounts, GSA negotiated a pretty good deal. But the best deal in the world won't do us any good if the Federal agencies don't implement it by transferring their telecom systems to the Networx contracts.

This is not a small matter. GSA reports that for every month the transition is delayed, the Government is losing approximately \$22.4 million in unrealized savings. By that estimate, when factoring in previous losses, we may lose between \$300 million to a half-billion dollars in unrealized cost savings by next year!

More importantly, when I say "we" in this case, I mean the taxpayers. This is simply unacceptable.

This is not the first time we have looked at this issue. The Committee held two hearings in 2004 on Networx, largely focused on planning and strategy aspects of the program; and another hearing in 2005, to address GSA's revised strategy for Networx.

In 2005, we were concerned about the sluggish rollout of Networx. Five years later, “concerned” is an understatement. If there’s a red flag that has yet to be thrown, I’m throwing it.

The transition to Networx hasn’t really gone on forever – it just feels like it. We are now in the ridiculous position of being three years into a 10-year contract that we haven’t even implemented. What good are the cost savings if we don’t take advantage of them?

Today I want to get a better understanding of just what is delaying the transition to Networx and what will be done about it.

I also want to look closely at the issue of small business women, minority subcontracting. The Networx program sets very specific goals for small business and minority participation. The five major Networx contractors – AT&T, Level 3, Qwest, Sprint, and Verizon – were required to submit small business and minority subcontracting plans.

After reviewing the plans, I am concerned that the quality of the subcontracting plans vary significantly, and I want to make sure GSA has the information necessary to hold the contractors accountable for their subcontracting plans.

All of the parties should know that I take this issue very seriously, and I want to make sure that contractors maximize their efforts to meet their goals. I want to know what specifically is being done to improve small business and minority participation in the program.

Testifying today are two key Federal stakeholders involved in the Networx transition: GSA, which is responsible for overseeing the Networx program, and the Interagency Management Council, which is involved in implementation. We also have the five Networx contractors.

Unfortunately, we don't have anyone from the Office of Management and Budget. OMB's absence is unfortunate, because I think OMB's leadership will be a key factor in expediting the transition to Networx. I'm genuinely disappointed that they chose not to participate today.

Nonetheless, I look forward to a thorough examination of the Networx transition. I want to thank our witnesses for appearing here today, and I look forward to hearing their testimony.

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