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Mr. Chairman and Members of the Committee, thank you for the opportunity to appear to discuss the General Services Administration's (GSA) government-wide telecommunications program, Networx. The Secretary of the Treasury welcomes this invitation for reasons relating to both the Department's mission and fiscal responsibility. The continued leadership of the Chairman and the Members of the Committee is vital if we are to steward taxpayer dollars wisely not only at the Treasury Department but across the federal government.

I serve as the Chief Information Officer (CIO) of the Treasury Department. As CIO I provide oversight, management, budgetary approval, and policy direction for all information technology programs within the Treasury Department and its bureaus. I have operational responsibility for shared services across all Treasury bureaus, including for the Treasury

Communications System (TCS), one of the largest secure networks in the civilian government.

The Committee has requested the Treasury view on the Networx Request for Information. Let me start by suggesting a list of principles that the Treasury Department seeks to have inform its acquisition of telecommunications services. Reflected throughout my remarks below, they include but are not limited to:

1. Identifying and adopting innovation
2. Listening to the market laws of supply and demand
3. Relying on marketplace innovation
4. Avoiding the creation or promotion of proprietary standards
5. Simplifying business structures, processes, and systems
6. Embracing data, IP, and managed services
7. Compensating based on performance and results
8. Affording maximum flexibility while keeping costs low
9. Supporting execution of Treasury shared service philosophy
10. Expecting technological obsolescence and not owning assets.

The Treasury Department seeks innovation in the acquisition of telecommunications services for two primary reasons. First, acquiring the most advanced telecommunications offerings provides the highest performance at the lowest cost; because of the Department's large telecommunications program, the Office of the CIO is firmly committed to

acquiring faster, cheaper, and better telecommunications services in order to exercise fiscal responsibility. Second, and equally if not more important, Treasury Department operations depend on the availability of high-performing telecommunications services in order to achieve mission-critical objectives.

The Treasury Department is committed to acquiring from the private sector the latest in telecommunications innovations, whether in product, process, or otherwise. New telecommunication services already have transformed traditional circuit-based voice communications into the digital world of IP-based communications. Because the private sector has the incentive to invest in research and development, the expectation is that the private sector consistently will provide the most attractive offerings in terms of cost and performance.

Today's question is: how does Networx fare in all of this? Early signs are that Networx will constitute a significant improvement over FTS 2001. It appears that Networx will be much more market-driven, in contrast to its more technology-driven predecessor, FTS 2001 (which was a follow on to FTS 2000). As a general rule, the government should rely on performance-

based, results-oriented specifications rather than trying to dictate solutions through "how to" design technology specifications. Moreover, this underscores an essential philosophical approach to acquiring network services, whether the customer is in the public sector or private: government agencies should strive to ensure that the customer is provided with the most cost-effective service available.

Permit an illustrative example. Suppose a company has a need to transport products. There are two major options: (1) purchase parts from many suppliers, assemble trucks, use the trucks to transport products, and keep enough spare parts on hand to support a maintenance program; or (2) purchase fleet services from a trucking company. Option 1 will cost the company more and distract it from its core business. Option 2 reflects how telecommunications services should be acquired wherever possible, yielding the best price for performance.

Consequently, a properly configured Networx can provide a comprehensive set of management services that enables government agencies to acquire the telecommunications services required. A contract resembling FTS 2001 would be more circuit-centric, forcing agencies to

fulfill the rest of its services by building and maintaining program management offices, unnecessarily decentralizing some telecommunications functions, and incurring more costs across the enterprise. For the Treasury Department, this would mean that each one of our dozen bureaus might have a relatively large telecommunications cost center. At the same time that administrative decisions are integrated enterprise-wide, it is important that other decision-making be as decentralized as possible.

This raises a larger point: as CIO I seek to manage the supply chain, both downstream from our shared service platform into Treasury bureaus as well as upstream into Treasury's suppliers. Treasury currently depends exclusively on no one carrier and manages risk by being carrier-neutral. Avoiding sole sourcing and preserving flexibility to use multiple companies across a large telecommunications contract are critical for several reasons. First, it is financially advantageous and ensures that competitive forces provide incentive for contractors to price at market levels. Second, in the event of technological change or obsolescence, a customer can make necessary adjustments quickly and cost-effectively. Third, if

underperformance provides operational rationale to switch vendors, a government agency is in a better position to do so.

Managing the supply chain "upstream" is predicated on knowing what business problems require solutions and how to execute. Facilitating the implementation of new technologies is a crucial area where Networx can help federal agencies solve operational problems. For example, the Treasury Department is reviewing innovative solutions to improve billing processes and to reduce expenditures. With FTS 2001-like contract it is difficult for an agency to initiate and to integrate the introduction, piloting, and deployment of new solutions and technologies. Key to a successful Networx contract will be to consolidate purchasing power in a flexible, performance-based contract that nimbly accommodates innovation when superior price for performance can be achieved.

Shorter-term, performance-based contracts in which suppliers are driven by incentive make such an approach possible. Consequently, it allows the management of telecommunications relationships both at the business and technical levels. Because it is inadequate to have lengthy service level agreements (SLAs) that do not effectively address higher level

business issues, the Treasury Department includes in its IT vision the integration of operating management into portfolio management. Telecommunications operations are no exception: customers or users with access to portfolio management tools can more clearly see and understand whether telecommunications services are meeting commitments and take managerial action as appropriate – also making the supply chain more efficient.

There is one final point on Networx that would boost IT security significantly: applying IT security solutions with equal rigor to backhaul networks. Traditional telecommunication carriers have increasing capabilities to monitor their core networks with intrusion detection, intrusion prevention, and other security technologies. While historically technical limitations have precluded fully using these security services to combat worms, spam, and other network vulnerabilities on high bandwidth, longer-haul portions of networks, innovation has made this possible in recent years. Networx should seek to ensure that its security services receive comparable treatment as large customers in the private sector. While diversified and localized monitoring is still required, integrated monitoring on a much larger scale can eliminate or

reduce the risk of the most common vulnerabilities and prevent the further and wider spread of threats. The result of mandatory, centrally monitored, carrier-based IDS/IPS would be bandwidth savings and a safer, more secure backbone for Networx and its customers.

Innovation is not just about our telecommunications programs; it is essential to national security. Economically, it enables us to do more with less. Politically, it promotes a leadership position on the global stage. Technologically, the application of new products and processes leads to even more advances – thanks to the vibrant entrepreneurial spirit of our country. And it is the lifeblood of the small- and medium-size businesses that drive 80 percent of our economy, the stability and prosperity of which is the mission of the Treasury Department.

Again, I am grateful to the Committee for demonstrating leadership in exploring the best ways to acquire telecommunications services and for driving reform across the federal government. Mr. Chairman, thank you for the opportunity to appear before you today. This concludes my formal remarks, and I would be pleased to respond to any questions.