

April 17, 2006

Congressional Requesters

Subject: *Department of Defense Actions to Modify its Commercial Communications Satellite Services Procurement Process*

The Department of Defense (DOD) continues to rely on commercial satellite communications to plan and support operations. DOD use of commercial satellite bandwidth has increased over the past few years, making the department the largest single customer of commercial satellite bandwidth. In recent years, DOD's process for acquiring commercial satellite communications has received criticism for being lengthy, inflexible, and costly. DOD is now reexamining how it procures commercial satellite services to address these issues. You asked us to summarize the actions that DOD has taken to date in revising its requirements and acquisition approach for commercial satellite services.

Summary

DOD has taken several actions to develop a new approach for procuring commercial satellite communications services. On December 14, 2004, the department issued a new policy for implementing an approach for planning, acquiring, and managing commercial fixed satellite services. To address the cost-effectiveness element of the new policy, in July 2005, the Defense Information Systems Agency (DISA) completed a cost-benefit analysis that considered multiple options for procuring satellite services. Summaries of these documents are presented below.¹

DOD is working to determine how to improve its procurement processes by studying different acquisition methods. Also, DOD has been reaching out to industry in order to learn about capabilities and costs related to the planning, acquisition, and management of commercial fixed satellite services. DOD will make a final determination on whether the existing or modified contracts can meet the full range of capabilities needed by the warfighters or whether any successor contracts will be required. In parallel, DOD and DISA officials are working with the Navy to consolidate the Navy's worldwide satellite communications requirements under one task order.² Upon completing the above mentioned analysis and determining the success of the Navy consolidation effort, DOD

¹Assistant Secretary of Defense for Networks and Information Integration, *Policy for the Planning, Acquisition, and Management of Commercial Satellite Communications Fixed Satellite Services (FSS)*, (Washington, D.C.: Dec. 14, 2004).

² A task order is an order for services placed against an established contract or with government sources.

expects to have the information necessary to finalize its approach for acquiring commercial satellite communications.

DOD Moving to a More Strategic Approach

On July 29, 2005, DOD issued a report to Congress on how it would implement a more strategic approach for the planning, acquisition, and management of commercial fixed satellite services.³ The report summarized DOD's new policy, which includes four overarching elements that frame its approach for acquiring commercial fixed satellite services:

- planning to integrate well-defined, long-term needs; flexible requirements of intermittent users; and surge capacity requirements for satellite communications;
- acquiring cost-effective services through leveraging the department's buying power while providing the warfighter with timely access to leased services;
- integrating the management of commercial fixed communication satellite services⁴ and DOD-owned satellite services; and
- aligning collateral programs, such as earth terminals, that are affected by the type and amount of commercial satellite communications services leased.

DOD's policy identified several steps that would be needed to implement a new strategic approach to plan, acquire, and manage commercial satellite communication services. It emphasizes that the processes for acquiring commercial satellite communications need to be responsive to the users while leveraging DOD's buying power and sets out a study process to accomplish these goals. The policy goes on to task DISA and others to develop plans for integrating commercial satellite communications operational control with other DOD satellite operations centers. The new approach will be phased in and is intended to be the only mechanism available to DOD components to acquire commercial satellite services. Both the policy itself and its implementation are to be reevaluated annually.

Cost-Benefit Analysis Considered 10 Options

In order to address the cost-effective component of the new policy, DISA, in 2005, completed a cost-benefit analysis that considered 10 options for procuring systems engineering, integration services, and commercial satellite bandwidth. In developing the 10 acquisition options in the cost-benefit analysis, DISA took into account the four procurement mechanisms outlined in Section 803 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375):

- procurement under indefinite delivery, indefinite quantity contracts of other departments and agencies of the federal government;

³ The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, § 803, October 28, 2004, directed DOD to study alternative acquisition mechanisms and to provide this report.

⁴ Fixed satellite service refers to a radio communication service between fixed earth stations at specific locations by means of one or more satellites.

- procurement directly from commercial sources that are qualified as described in subsection (b) of Section 803, using full and open competition (as defined in section 4(6) of the Office of Federal Procurement Policy Act (41 U.S.C. 403(6)));
- procurement by any other means that had been used by DISA's Director or the Secretary of a military department to enter into a contract for commercial communications satellite services that is in force on October 28, 2004, including through commercial communications satellite service integrators and resellers; and
- procurement under the method used as of October 28, 2004, the date of the enactment of Section 803, modified with streamlined processes to ensure increased efficiency and cost effectiveness.

When looking at the full and open competition options, DISA took into account whether the government or the contractor had responsibility for procuring bandwidth for the users and whether the work was allocated to a single global contractor, multiple regional, or multiple global contractors.

The costs considered in the analysis included government management costs, contractor management costs, satellite bandwidth costs, ground segment operations, and protection costs for the options considered. Also, the cost-benefit analysis evaluated contracting and commercial satellite bandwidth funding strategies used by other U.S. government organizations. Each option was qualitatively evaluated against the seven capabilities derived from stakeholder and user interviews and endorsed by the Net-Centric Functional Capabilities Board.⁵

In addition, each option was assessed against its ability to support a strategic approach to acquiring systems engineering and integration services and commercial satellite bandwidth, and whether the option was consistent with or contrary to the commercial market.

DOD's Implementation Actions Focus on Warfighter Requirements and Industry Involvement

Since the issuance of its July 2005 report to Congress, DOD has taken a number of steps to implement its new approach. Initially, the agency is focusing on improving the operational effectiveness of the existing Defense Information Systems Network Satellite Transmission Services-Global (DSTS-G) contract vehicles and associated processes, by:

- incorporating changes to the DISA requirements and provisioning processes to reduce costs by improving responsiveness and aggregate bandwidth, and
- implementing as many warfighter requirements as possible within the constraints of current contracts. DISA assessed whether or not the new warfighter requirements would lie within the scope of its current contracts and briefed DISA senior

⁵ A permanently established body, chaired by Joint Staff J-6, that is responsible for the organization, analysis, and prioritization of joint warfighting capabilities for communications and computers as well as information technology systems. The board focuses on capabilities that include data transport, information services and dissemination, as well as information assurance and information sharing.

acquisition officials, who concurred with the assessment and authorized a meeting with vendors.

As a part of DOD's strategy to involve industry, in October 2005, DISA and the Navy met with DSTS-G vendors on potential modifications of the existing contract vehicles to incorporate warfighter requirements and to achieve economies by leveraging the volume of bandwidth. According to a senior DOD official, the vendors were very receptive to these changes. Once these current contracts have been modified, DOD will determine how best to craft successor contracts, assuming that a new vehicle would be needed to satisfy warfighter requirements. As part of this effort, DISA has been reaching out to industry:

- In August 2005, DISA requested information from small businesses to determine their interest in and capability to provide commercial satellite communications services. Only small businesses that can provide services under the North American Industry Classification System Code 517410, Satellite Telecommunications Carriers/Resellers, with an associated size standard of \$12.5 million receipts per year or less, or other qualified and capable businesses, such as veteran-owned small businesses and women-owned small businesses, were asked to respond.⁶ Small businesses were asked to describe their demonstrated ability to perform the work in five specific areas:
 - leasing satellite bandwidth on a worldwide basis from multiple global and regional providers;
 - determining feasibility and leasing technical solutions in response to high-level communications requirements;
 - implementing strategies that optimize performance or minimize overall lease costs;
 - providing fixed satellite services quickly to a customer; and
 - developing an enterprise-level situational awareness picture from various sources, including monitoring and reporting performance.
- In October 2005, DISA requested commercial satellite communications industry experts to provide technical descriptions and general cost data regarding their commercial satellite capabilities. Also, DISA and the Navy met with the DSTS-G vendors on plans for consolidating 16 Navy contracts into a single task order using the DSTS-G contract vehicles. Subsequently, DISA issued a task order solicitation under the DSTS-G contract vehicles to obtain proposals for this consolidated requirement. According to DOD, the DSTS-G vendors welcomed the opportunity to bid for this work and offer technical solutions to meet the Navy's needs. This is an important step because it will aid DOD in determining if it can consolidate requirements using these contract vehicles.

⁶ The North American Industry Classification System is a system for classifying establishments by type of economic activity. It was developed as the standard for use by federal statistical agencies in classifying business establishments for the collection, analysis, and publication of statistical data related to the U.S. business economy. The Small Business Administration establishes size standards for whether a business entity is a small business by types of economic activity, or industry, generally under the North American Industry Classification System.

- In November 2005, DISA met with commercial satellite communications industry experts to obtain information regarding industry capabilities to enable DOD to further refine the warfighter requirements and capability attributes in preparation for review by the Net-Centric Functional Capabilities Board.

Finally, the Network-Centric Functional Capabilities Board endorsed the commercial satellite communications capabilities, contained in table 1, on February 21, 2006. Upon completion of the study of alternative acquisition mechanisms, DOD will make a final assessment to determine if the existing or modified contracts will meet the full range of capabilities needed by the warfighters. If a successor contract is required, DISA would plan for and schedule the appropriate acquisition activities. According to DOD, any successor contract would have to meet the full range of warfighter requirements and capabilities as defined by the Network-Centric Functional Capabilities Board, achieve cost savings from leveraging bandwidth requirements, be consistent with applicable statutes, including the Small Business Act, and capitalize on the lessons learned from the earlier operational effectiveness modifications to make the new contract most effective.

Table 1: DOD Commercial Satellite Communication Attributes

Capability	Requirement
Coverage	Floor: ^a C-, Ku, Ka- and X Band from 70° N to 70° S worldwide, subject to availability, and position of satellite and the location of the user Selectable: ^b Above and below 70° N to 70° S per specific need, subject to availability, and position of satellite and the location of the user
NetOps	Floor: Monitoring (near real time), fault reporting Selectable: Situational awareness (access to spectrum monitoring detail)
Flexibility/Optimization	Floor: "Regrooming" space segment and earth terminal / teleport resources for spectral, operational, and price efficiencies selectable upon request within same provider Selectable: Specific terms and conditions for unique situations to be negotiated up front
Capacity	Floor: Ability to lease commercial satellite communications capacity as needed Selectable: Not applicable
Protection/Operations Security	Floor: Satellite operations clearances; operations security clearances; telemetry, tracking, and control encryption on command link; electromagnetic interference/radio frequency interference geolocation
Portability	Floor: Portability of bandwidth from one region to another, user invoked when needed subject to availability Selectable: Specific portability terms and conditions for unique situations to be negotiated up front.
Responsiveness	Floor: Transponder available less than or equal to 30 days from task order award Selectable: Time critical requirements—7 days, 4 hours

Source: Department of Defense.

^a"Floor" refers to the capability that all the contracts must provide for all users.

^b"Selectable" refers to capability that the contracts must make available as an option to the user.

Agency Comments

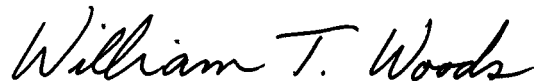
We provided a draft of this letter to DOD for comment, and the department provided technical comments, which we incorporated where appropriate. DOD indicated by e-mail that it would not be submitting any official comments.

Scope and Methodology

To accomplish our objective, we analyzed DOD's December 2004 commercial satellite policy describing DOD's new approach for acquiring commercial satellite communication services. We reviewed DOD's July 2005 report to Congress and analyzed the supporting cost-benefit analysis to determine the extent of the options DOD considered in its analysis for acquiring fixed satellite services. We did not validate the results of the cost-benefit analysis. We interviewed DOD and Joint Staff officials to discuss the process used in developing the user requirements. We interviewed officials from the Office of the Assistant Secretary of Defense for Networks and Information Integration and the Defense Information Systems Agency to ascertain their plans for implementing a new strategic approach for acquiring commercial satellite services. We conducted our work at the Wireless Directorate of the Office of the Assistant Secretary of Defense for Networks and Information Integration, Washington, D.C., and the Defense Information Systems Agency, Falls Church, Virginia, from August 2005 to March 2006 in accordance with generally accepted government auditing standards.

We plan no further distribution of this report until 6 days from the report date. At that time, we will send copies of this report to other interested congressional committees and members and to the Secretary of Defense. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions regarding this letter, please contact me at (202) 512-4841 or woodsw@gao.gov. GAO staff who made contributions to this letter were John Needham, Assistant Director, and Jose Ramos.



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The Honorable Donald A. Manzullo
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Committee on Small Business
House of Representatives

The Honorable Tom Davis
Chairman
Committee on Government Reform
House of Representatives

The Honorable James M. Talent
United States Senate

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