

STATEMENT OF
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PRESIDENT & CEO
PROFESSIONAL SERVICES COUNCIL

“Time to Reform Information Technology
Acquisition: The Federal IT Acquisition Reform Act”

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES

FEBRUARY 27, 2013

Chairman Issa, Ranking Member Cummings, and members of the committee, thank you for the invitation to testify today and for your attention to the critical issue of reforming the way the federal government plans for and acquires information technology. Given the substantial government spending on information technology and the critical role it plays in furthering agency missions, the Professional Services Council (PSC)¹ is pleased that the committee is continuing its focus on this important initiative to enhance the government's acquisition and management of information technology capabilities. A comprehensive effort at reforming IT acquisitions has not been undertaken since the 1996 passage of the Clinger-Cohen Act² and is long overdue.

I would also like to commend you, Chairman Issa, and your staff for engaging in an open process by sharing a discussion draft with key stakeholders well in advance of the formal introduction of the legislation and for the collaborative approach that you have taken, including through these hearings, to understand industry's concerns and consider our recommendations. We have presented identical extensive comments to both majority and minority staff and look forward to continuing that exchange.

Last month PSC launched its own commission to identify underlying challenges to achieving real efficiency, facilitating private sector innovation and obtaining performance results in the federal acquisition of services where IT now plays an integral role. While the commission's focus is on services broadly, many of the same principles can be directly tied to IT acquisitions specifically. Many of the frustrations around the lack of progress on IT acquisition improvements are shared by the broader federal services industry.

The nexus for the creation of our commission can be traced in large part to PSC's biennial Acquisition Policy Survey of federal acquisition and other senior government officials. Our 2012 survey, titled "Acquisition in an Unabated Crisis,"³ indicated that many of the acquisition challenges that were identified in our first survey 10 years ago and repeated in subsequent surveys—namely budget stability, workforce resources and capabilities, and oversight and transparency—remain top challenges today. The fact that our government colleagues believe that the acquisition environment has not improved in the last decade or more raises real questions as to whether the way in which the government approaches its acquisition, human capital and workforce development needs should be fundamentally re-thought. Moreover, and in keeping with the theme of this hearing, the survey found that the

¹ For 40 years, PSC has been the leading national trade association of the government professional and technical services industry. PSC's more than 350 member companies represent small, medium, and large businesses that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more. Together, the association's members employ hundreds of thousands of Americans in all 50 states.

² P.L. 104-106 Div. E. (codified in 40 U.S.C 1401 et. seq.), available at <http://www.gpo.gov/fdsys/pkg/PLAW-104publ106/pdf/PLAW-104publ106.pdf>

³ "The Balancing Act: Acquisition in An Unabated Crisis," available at http://www.pscouncil.org/i/p/Procurement_Policy_Survey/c/p/ProcurementPolicySurvey/Procurement_Policy_S.a.spx?hkey=835b11ac-0fe7-4d23-a0e0-b98529210f7e

acquisition of complex information technology is considered a significant workforce weakness by the preponderance of government acquisition leaders and others we interviewed.

Needless to say, technology is advancing at unprecedented rates and government leaders have been wise to recognize that such advances can significantly improve how the government operates. As you know, the vast majority of technology capabilities are resident in the private, not the public, sector. Thus, the government's ability to access technologies and technology skills largely occurs through the federal acquisition process, which should be designed to enable the private sector to deliver cutting-edge, effective, and efficient solutions to meet important government challenges. The ability of the private sector to do so is ultimately dependent on a commitment from the government customer to appropriately incentivize, support and reward successful outcomes, and from the successful offeror to deliver innovation and excellence at a fair price.

It is through this lens of enabling and enhancing true partnerships between the public and private sectors that PSC developed its list of top policy priorities for 2013. These priorities include a focus on re-establishing budget stability; achieving acquisition excellence, in part by preserving streamlined access to commercial items and aligning the government's acquisition regulations and processes to the realities of services acquisition; fostering real world business skills and critical thinking in the federal acquisition workforce; and maximizing competition to drive innovation and efficiency. As we reviewed the FITARA discussion draft we recognized that many of the legislation's themes were closely related to the themes included in our top priorities. Indeed, the draft legislation and our priorities clearly have the same goal: improving the government's operational efficiency and performance. As such, we are largely supportive of the policy objectives of the discussion draft of FITARA and look forward to working with the committee as it is further refined.

Supported Provisions

We support and commend the bill's direction to bolster the role and effectiveness of federal CIOs by providing them with greater budget and personnel authorities. Likewise, we strongly endorse the data center consolidation provisions and the Assisted Acquisition Centers of Excellence (AACEs) directed by the bill—provided that there is flexibility provided to the agencies with regard to the actual nature and structure of individual centers. Given the ubiquitous role IT plays in so many aspects of government, whether the centers are discreet and independent entities charged with the acquisition of IT or embedded within existing organizations is not the most important question. Rather, the key is that the qualities, capabilities and characteristics of a true center of excellence be present and made a hallmark of IT acquisition, be it executed through a new or existing entity. We also recommend that the bill's requirement to compete or reauthorize the AACEs be expanded from every two years to every five years in order to eliminate excessive administrative costs and burdens.

That said, we do have some concerns with some elements of the bill and believe that addressing them clearly will greatly enhance our collective ability to achieve those shared and desired outcomes.

Defining “Commodities”

Information technology solutions are comprised of myriad hardware, software, and services capabilities to meet an array of agency needs. While some solutions may require only insignificant levels of technological development, others can be extremely complex. In other words, some federal information technology requirements involve the acquisition of commodities, or well established, routine, and widely utilized solutions, while others cannot. As such, it is essential to ensure that federal acquisition strategies and policies recognize and support this critical distinction and avoid approaches that require, or appear to require, federal agencies to address vastly different solutions with the same one-size-fits-all acquisition approach or process. It is also imperative that Congress, the administration, the agencies, and the companies providing information technology solutions to the government have a clear, shared understanding of the appropriate characteristics and qualities that define different segments of IT and thus drive differing acquisition strategies and policy. To date, such a characterization does not exist.

For example, the term “commodity IT” is being used by some to describe a subset of IT that could be targeted for strategic sourcing initiatives or purchased based on a preference for the cheapest offer. However, to date, the term “commodity IT” has not been defined consistently or adequately, thus creating a range of concerns over proposals to mandate how such products or services are procured. Only after clear and accurate definitions of different types of information technology products, services, and solutions are developed can there be an effective discussion about how best to procure them.

While FITARA tasks OMB with developing a definition of commodity IT, the definition must be narrowly, clearly, and strategically defined in advance of prescribing procurement strategies to obtaining such solutions. “Common” back office activities, such as financial and human resource systems, may qualify in certain circumstances as “commodity solutions” but in other cases such solutions—while sharing commodity attributes—are anything but due to varying levels of required customization or other considerations that must be accounted for when integrating the items or services into a broader solution. The commercial sector has refrained from categorizing such solutions as commodities because of the frequent customization requirements. In fact, the level of customization is often greater for government clients.

As such, it is risky to attempt to define such broad categories of work as “commodities.” Standard desktops or even shrink-wrapped software licenses may appropriately be categorized as such, but without clear definitions that recognize the many nuances and differences that routinely exist, there is a very real risk that the acquisition system will default to a one-size-fits-all regimen that will disadvantage both the government customer and private sector providers.

For similar reasons, we must also guard against the tendency to equate commodity IT with commercial IT. Whether something is commercial or not has no relationship to whether it is a commodity, yet too many people define them that way. As such, the legislation must make this distinction eminently clear or it will further risk a drift towards that one-size-fits-all approach.

This is also where the issue of buying for value versus buying for price becomes so central. In the case of true commodities, be they in IT or any other arena, a very strong case can be made for acquiring them on a low price, technically acceptable (LPTA) basis; such requirements also naturally lend themselves to using acquisition strategies such as the Federal Strategic Sourcing Initiative (FSSI).

But when the requirements are more complex or involve more developmental requirements and/or risk, then the use of LPTA evaluation strategies is not only inappropriate, it is entirely contrary to the best interests of the government. In those cases, appropriate trade-offs between price and technical proficiency and capability are critical to smart buying. Such trade-offs are also essential to enabling the kinds of ongoing investments in people and technology that drive continued performance improvements and efficiencies. However, our members overwhelmingly report that LPTA acquisition strategies are more dominant in today's market than ever before, even for the government's acquisition of complex capabilities. That concern is also reflected by our government colleagues in our 2012 Acquisition Policy Survey. It is therefore important that the legislation explicitly and clearly address this delineation, particularly given its emphasis on the creation of a single commodity buying center and the authority to create other IT acquisition centers of excellence.

Supporting Competition

Competition is the single most effective means by which federal agencies can drive down their IT costs while also improving performance and efficiency. Any information technology reform must focus on expanding the competitive ecosystem and preserving robust competition where it already exists. Reforms should closely examine unique government-imposed barriers that drive competitors out of the federal market or deter new entrants. Government-unique caps on contractor labor rates, excessive and unnecessary procedural, compliance or reporting requirements, and mandates for complex accounting systems are just some examples of such barriers to cost efficiency, market entry and competition. This problem is also clearly demonstrated by the repeated efforts by the Department of Defense to substantially change the definition of a commercial item or service. Their proposal, which we are grateful has twice been rejected by both houses of Congress, would result in many companies being forced to exit the government market altogether or to limit their offerings in the government market to the most basic of commodities. In so doing, the government would lose access to key commercial sources and suffer the effects of reduced market competition.

Instead of pursuing efforts to pull the government back from or out of the commercial market, or reduce its ability to utilize commercial buying strategies, our collective goal should be on fostering innovative and best value solutions—including those developed by commercial companies and then adapted, as necessary, to fit the needs of government clients. The private sector invests heavily in research and development to offer cutting edge solutions to both the commercial and government marketplaces. Today, unlike 30 or 40 years ago, private sector investment, especially in technology, far outstrips that by the government. As such, our emphasis needs to be on adapting government processes to the dominant best practices of the commercial world, rather than the other way around. We are

grateful that the draft legislation seeks to reflect this philosophy as well. We look forward to working with the committee to enhance and strengthen those provisions.

The benefits of competition are not only evident in and available through the federal marketplace, but also in the federal agencies and their individual, multi-agency contract vehicles. While it may well be true that some of the existing vehicles overlap and that some consolidation may be warranted, we believe it would be a mistake to take consolidation too far, as we believe the legislation might. Today, OMB approves and federal agencies manage a number of government-wide acquisition contracts (GWACs) for information technology solutions. GWACs are available to all federal agencies and provide several options for agencies to turn to for their IT needs. The use of GWACs has led to useful competition among agency GWAC owners who seek to manage their contracts effectively, deliver better solutions for themselves and for other government clients, and reduce administrative and total life-cycle costs associated with managing the acquisition process and delivering solutions.

Conversely, the proliferation of GWACs offering identical or significantly overlapping services results in duplication and inefficiency across the government and drives up contractor bid and proposal and transaction costs. It is crucial to strike an appropriate balance between the over-expansion of similar GWAC offerings and the elimination of valuable competition between them. Strategic sourcing initiatives can and should include the retention of many current GWACs, even though they may offer similar products or services, to preserve competition and provide additional cost savings.

This is the basis for PSC's concern with the FITARA proposal to establish a commodity IT center that has both policymaking authority *and* purchase authority related to commodity IT acquisitions. Allowing the center to establish policy, have broad control over all government commodity IT purchases, and create and utilize its own commodity IT acquisition vehicles likely will lead to the center's default preference for its own vehicles rather than competing with other vehicles that might provide better outcomes for agencies. In our view, this approach would give the commodity center too much power, and associated market dominance, and presents a significant threat to GWACs that deliver valuable services to government agencies today. This could also lead to a significant diminution of competition in the marketplace, as only those companies with a position on the center's acquisition vehicles would have any real hope of securing work.

That said, the concerns that prompted the concept of the commodity center are very relevant and, as a result, we do support the legislation's proposal to direct an objective analysis of the government's demand for commodity and non-commodity IT purchases through spending analyses and to identify avenues for consolidating that demand and ensuring the government is in a position to optimize its buying power. But we strongly believe that there must be clear segmentation between any entity given the government-wide policymaking authority and one accorded controlling purchase authority, to preserve an unbiased approach to guiding federal agencies to the most appropriate contract vehicle.

Maintain Technology Neutrality

PSC believes that the legislation must remain technology neutral and avoid overly prescriptive policies regarding the use of open source strategies. We fully recognize the benefits that may frequently accrue from using open source software but also recognize that, like the determination of a contract type or acquisition strategy, open source requirements must be tied to the specific technology requirements. In other words, here, as with other aspects of acquisition, we need to avoid a one-size-fits-all approach. Instead, our focus should be on providing the relevant workforce with the kinds of information and training that will enable them to make the appropriate decisions on a case by case basis. To be over-reliant in either direction would, we believe, be a mistake.

Workforce Imperatives

Finally, if investments in federal IT solutions are to be successful, the government must adopt a holistic approach to managing its workforce and commit to significant workforce investments to ensure it has the capacity and capability to successfully carry out IT acquisitions and programs. Perhaps more importantly, just as this legislation is designed to address the reasons more progress has not been made since the Clinger-Cohen Act 17 years ago, so too is this an ideal time to step back and assess why we face most of the same, difficult workforce challenges that have vexed the system for more than a decade. As I mentioned earlier, this was a key theme discussed by government officials in our 2012 acquisition policy survey and is highly relevant to the proposed legislation, particularly given its emphasis on developing an IT acquisition cadre, which we generally support.

PSC strongly supports the legislation's inclusion of workforce development as a central goal and its clear emphasis on seeking to incentivize and recognize excellence in the acquisition of IT solutions. But we believe more must be done to bolster the ranks of the acquisition and technology workforces. Excessive workloads are surely contributing to current challenges, but real improvement will require more than resources.

To achieve the objectives of the legislation more must be done than mandating the creation of that cadre and prescribing credentials and certifications. As we have seen in the acquisition community writ large, the existence of such certifications does not, alone, ensure proficiency, currency or excellence. Thus, we would strongly encourage you to consider including provisions that would at least enable, if not mandate, new and innovative approaches to workforce development and training, including (1) cross-functional training, (2) rotational development and assignments, (3) world class training and education offerings of the type capitalized on by the private sector, and (4) other strategies that have the potential to change the current trajectory of employee training and performance.

Consider this: the government has four times as many workers over 50 as under 30 and retirement rates are rising and will perhaps be further accelerated by budget-related early retirements. The data shows that, as more senior workers depart, there is a perilously thin workforce capacity with adequate experience to effectively step in to senior roles. Indeed, acquisition leaders told us, by an overwhelming margin, that their workforce is ill-prepared to acquire and manage complex information technology requirements. At the same time, real concern exists among those same leaders that, just as they are

beginning to rebuild their workforce, budget reductions may inhibit their ability to do so. Place on top of that the well documented challenges the government has in competing with the private sector for top technology talent, and the virtually ignored statistics from the Office of Personnel Management showing that there are seven times as many IT workers in government over 50 as under 30—which is the diametric opposite of the commercial world.

Regrettably, these and other factors together suggest strongly that the federal government has an abject human capital crisis and solving that crisis is as essential to the success of this legislation as anything else. Put in a more positive light, the combination of these human capital demographic realities with the budget crisis of today and for the years ahead presents a singular opportunity to genuinely transform government. We can ill afford to ignore this reality. Long-term success is simply not possible without a well resourced, creatively and effectively developed, and strongly supported federal acquisition and technology workforce. Whatever we have been doing for the last decade or more is clearly not working.

We must be asking what kind of workforce we want for the future, how we can change and transform our workforce development policies and initiatives to ensure we have the kind of empowered, critical thinkers that are so vital, and how we can link the evaluations and expectations of the acquisition workforce to programmatic, rather than process or transactional, outcomes.

Too often, the acquisition process is siloed into distinct segments of program and acquisition office responsibilities. In recent years, government has begun to recognize that the “total” acquisition workforce comprises more than just contracting personnel and that program offices play a critical role in the acquisition process, but the divide remains wide and concerning. We must expand this focus and incentivize, even mandate, increased collaboration between program offices, acquisition personnel and the vendor community so that a unified “team” approach is taken to IT acquisitions.

Training of government personnel must also include at least two elements that are currently missing from curricula or practice: deeper, internal cross-functional knowledge and a far greater understanding of how the private sector approaches investments in innovation and risk. The best way to demonstrate that knowledge is through well-constructed and well-managed contracts. Workforce training should engrain those critical thinking skills and opportunities for cross-functional development that is the norm in the best of the private sector. Regrettably, today’s acquisition training is increasingly centered on the “do’s” and “don’ts” of the Federal Acquisition Regulation (FAR) and related procurement rules. Understanding these rules is important but the FAR purposely and properly offers ample flexibility for acquisition personnel to adopt acquisition approaches based on sound business principles that lead to successful outcomes. But in today’s environment, that aspect of the FAR is dramatically understated and underemphasized and such flexibility is too rarely used, let alone encouraged. This is in large part why we now find ourselves in a world dominated by low price buying, overly constricted margins, and other dynamics that so disadvantage both customer and supplier.

Developing critical thinking skills, empowering acquisition and technology personnel to collaboratively use their best professional judgments, and freeing them from the mentality that mistakes are unacceptable may be among the most important steps that the government can take on the acquisition reform front.

Lastly, credit for success should be shared among the entire program, including acquisition personnel, and should be appropriately recognized and rewarded.

These are not easy challenges and involve a combination of cultural and policy changes. But they cannot be ignored.

Conclusion

Mr. Chairman, Mr. Cummings, and member of the committee, we greatly look forward to additional discussion and dialogue as you further refine the legislation. In addition, we would appreciate the opportunity to share with you the final report of our Commission, which is targeted for release in April, as we believe many of the elements of that report will be highly relevant to the important work you are doing generally on this committee and with regard to this legislation in particular.

I thank you again for the opportunity to share our views and I would be happy to answer any questions you might have.

Stan Soloway President & CEO

Stan Soloway is president and CEO of the Professional Services Council, the principal national trade association of the government professional and technical services industry. Soloway assumed the presidency in January 2001. PSC has a membership of nearly 360 companies of all sizes, performing services of all kinds for virtually every agency of the government.

Prior to joining PSC, Soloway served as the deputy undersecretary of Defense (acquisition reform) and concurrently as director of Secretary of Defense William Cohen's Defense Reform Initiative. In addition Soloway was confirmed by the Senate in June 2007 to a five year term on the board of Directors of the Corporation for National and Community Service, the federal agency that oversees national service programs including Americorps and VISTA and serves as a major funding source for scores of community service programs across the nation.

He writes regular columns for *Washington Technology* magazine and the *Washington Business Journal* and has been a contributing author for books published by Harvard Law School, the University of Pennsylvania, and the IBM Center for the Business of Government. In 2012, the *Washington Business Journal* named Soloway to its *Power 100* as one of the 100 most influential business leaders in Washington, DC. In addition, *Defense News* and Gannett Media named him one of the 100 most influential leaders in U.S. defense.

He is a principal of the Partnership for Public Service, and a member of the Executive Advisory Board of the National Contract Management Association. He received the prestigious Federal 100 Award in 2005 and in recognition of his leadership at DoD, was awarded both the Secretary of Defense Medal for Outstanding Public Service and the Secretary of Defense Medal for Distinguished Public Service.

Before his appointment to DoD, Soloway was a public policy and public affairs consultant for more than 20 years and a highly regarded expert on acquisition, privatization, and outsourcing issues. He earned a degree in political science from Denison University.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: STAN SOLOWAY

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

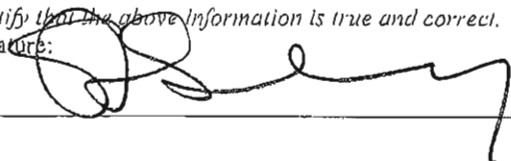
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3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

NONE

I certify that the above information is true and correct.

Signature:



Date:

25 Feb 2013
