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Danzig Says Navy-Marine Corps Intranet Approach, Funding Solid

In written comments to a House subcommittee chairman, Navy Secretary Richard Danzig is defending the department's plans for the Navy-Marine Corps Intranet, saying its funding arrangement is secure and offering assurances Congress will be kept informed of its progress. His remarks were delivered to Capitol Hill on the same day that the General Accounting Office urged lawmakers to halt the program until several substantial issues are resolved.

The Navy's budget chief, Rear Adm. Albert Church, told Inside the Navy last week that he would not be able to say much about the massive project's cost and funding level until a study is completed in May and the Navy fully analyzes the proposals from industry.

Danzig's March 8 letter to Rep. Herb Bateman (R-VA) is in response to a February letter Bateman sent to the Navy secretary outlining several concerns the congressman has with the service's pursuit of the intranet. A memorandum of agreement between the Navy and the Defense Department accompanied Danzig's letter. Copies of the letter and agreement were obtained by Inside the Navy.

The intranet is a huge Navy and Marine Corps project designed to link all the department's shore-based information technology services, such as data, voice and video communication, under one service provider with common systems. It will complement the sea-based side, known as IT-21, and has been ordered for about 440,000 active duty and reserve Navy Department personnel throughout the United States and some foreign posts. The request for proposals closed Feb. 14, and the Navy expects to award a contract by June.

In his Feb. 4 letter, Bateman requests that the Navy delay the intranet project until it fully develops a business plan for it and until the program receives "the proper level of Congressional oversight" (ITN, Feb. 28, p2). He also writes that he finds the "funding for this initiative disturbing" and believes that the Navy did not complete the necessary analyses before embarking on the project.

Danzig, in his March 8 letter to Bateman, writes that the intranet will be procured like the Navy buys "other types of utilities" such as water and electricity, and that although "the dollars involved are substantial," the department has the money available for the project, which sources indicate could cost \$10 billion over five years.

The Navy already spends a substantial amount of money for information technology infrastructure under numerous contracts and technical approaches, which can lead to inefficiencies, Danzig writes. The one-contract intranet, he writes, would eliminate those inefficiencies. He said \$20 million of operations and maintenance money in the fiscal year 2000 budget has been earmarked for early NMCI initiatives.

"Once the NMCI contract is awarded, these resources will be released to buy services under the contract," Danzig writes. "For FY-01 and beyond, a detailed financial analysis of NMCI is being prepared that includes the identification of specific O&M funding to apply to those costs."

A Bateman spokesman said Friday the congressman had not fully reviewed Danzig's reply and was not prepared to comment on it.

The lack of a single funding line for the intranet was discussed by Joseph Cipriano, the program executive officer for the intranet, in a February interview with ITN. Cipriano said then that the project would be funded much like a utility and that based on the Navy department's analysis at that point, the funding looked secure.

"There's enough money for it if the bids come back good. There's not if they come back too high," he said. "We haven't identified in the budget a funding line for NMCI. What we've told the claimants is, 'You should budget in your operating budget to buy NMCI services,' so it's in a lot of different accounts. The person getting the service is also paying for it, and there's a buyer/seller relationship there, which is usually healthy" (ITN, Feb. 7, p1).

Also last week, Church, director of the Navy's fiscal management division, told ITN that he cannot say much about the intranet's funding right now because the Navy is evaluating four proposals from industry and won't know what the financial needs and availabilities are until May. The four bidders are reportedly teams led by Electronic Data Systems (EDS), Computer Sciences Corp., IBM and General Dynamics.

Church brought up the subject of the intranet during his opening testimony at a Senate Armed Services readiness and management support subcommittee, but the senators did not question him about it.

"We're early in the solicitation phase, and we don't know what the proposals are going to be," Church later told ITN. "There are several different variances in the RFP that can drive [cost]. So A, we don't know, and B, we've got a team working on that. There probably will be a report coming out in May to try to determine A, what the cost is and B, what's already in our budget. It's a good question, but it's just a little early."

That sentiment seems to be shared, but with a more critical take, by Bateman and the GAO; both argue that until funding issues are resolved, the department should not continue with the project.

The GAO takes issue with the department's sped-up acquisition process for the intranet, its lack of thorough study, its uncertain funding arrangement and its failure to conduct small-scale tests of the intranet before sending it to industry for bid proposals.

Testimony prepared by the watchdog agency for Congress says the Navy's plans for the intranet "have a number of weaknesses that make the effort unnecessarily risky" and recommends the Navy award an intranet contract only after such issues are addressed.

The GAO goes on to say that the timeline -- the Navy wants the intranet to reach initial operational capability by December 2001 -- is "not driven by specific mission needs"; that the Navy should have done a business case analysis and analysis of alternatives prior to releasing the RFP; that several management, oversight and funding issues remain unresolved; and that "the Navy may also be significantly underestimating total program costs."

The testimony indicates funding issues will be hashed out this week: "Navy officials said that they will meet again to discuss the funding plan on March 16, 2000, but have no firm date to complete the plan, which is to identify the sources and amounts of funding available for the intranet contract."

According to the MOA, the Navy Department will conduct a business case analysis and AOA. Danzig writes in his letter to Bateman that the business case analysis was not done prior to the RFP release because it needs input from industry. In the letter, Danzig says the analysis will be done before the contract is awarded.

The agreement was signed by Paul Brubaker, acting deputy chief information officer for the Defense Department; Dale Uhler, deputy assistant secretary of the Navy for command, control, communication, computers, intelligence, electronic warfare and space; and Ron Turner, deputy Navy chief information office for infrastructure systems and technology. It says the Navy and DOD "have developed a streamlined oversight process that includes decision reviews by the [assistant secretary of defense for C3I] before award of the contract, and the appropriate reviews after contract award."