

Saving on SATCOM

GOVERNMENT AND INDUSTRY SEEK NEW WAYS TO ACHIEVE GREATER EFFICIENCY IN PROCUREMENT OF COMMERCIAL SATELLITE BANDWIDTH.

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As the U.S. military looks ahead to a future marked by both tight budget limits and a seemingly unstoppable demand for satellite communications bandwidth, industry experts say there is more the government can do to make the process of acquiring bandwidth and services by defense, intelligence and other government agencies more efficient and economical. These include: making multi-year procurement commitments, limiting the numbers of eligible vendors, incorporating the acquisition of commercial bandwidth more formally into policies and programs and otherwise thinking and acting more creatively.

The emphasis on cost effectiveness in the procurement of commercial SATCOM bandwidth and services comes as the Defense Information Systems Agency (DISA) and General Services Administration (GSA) implement their new strategy for the acquisition of satellite bandwidth and services.

The Future Comsatcom Services Acquisition (FCSA) program, which represents a consolidation of four legacy Department of Defense and GSA contracts for the provision of satellite communications, is aimed at leveraging economies of scale, streamlining

the procurement process, promoting competition among vendors and, ultimately, obtaining lower prices for bandwidth.

FCSA hit a bump in the road early in its roll-out, as the initial bandwidth prices available from vendors unexpectedly rose, spurring concern and frustration among some government customers. Most observers now agree that the price hikes were a hiccup, the result of several years of frozen prices and of the supply and demand situation in the Afghanistan theater.

Meanwhile, FCSA implementation proceeds apace. The first two of three contracts under FCSA have been awarded and the consensus is that they are working smoothly. The third contract, Custom SATCOM Solutions (CS2), has been delayed but is expected to be awarded soon.

FCSA consolidated the Defense Satellite Transmission Services-Global (DSTS-G), SATCOM II, Inmarsat and Schedule 70, the GSA's catchall IT contract vehicle, into mammoth

IDIQ contracts. The point of the consolidation was to reduce the number of SATCOM contracts that needed to be managed.

The first two parts of FCSA, covering transponded capacity (the dedicated satellite bandwidth on commercially available frequency bands) and subscription services (pre-engineered, off-the-shelf fixed and mobile satellite service solutions) have already been awarded. CS2, the third leg of FCSA, will emphasize custom-tailored products and services.

"I noticed early on, when the first task orders were being awarded for transponded capacity, that there was some concerns from DISA about prices going up," said

David Myers, president of government solutions at Harris CapRock.

Harris CapRock, as a provider of SATCOM solutions, is the largest commercial buyer and consumer of transponded bandwidth. The price increases affected the companies' proposals under the subscription services aspect of FCSA.



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"We tried to hold prices as steady as we could," Myers added. "But operators under DSTS-G had their prices locked in for five years so they took price increases when the first FCSA vehicle was awarded. The turmoil was tamped down when they explained to the market that it had benefited from long-term pricing under DSTS-G, and that with the new contract everything got reset to market rates."

SUPPLY AND DEMAND

The price increases were also fueled by supply and demand, according to Skot Butler, director of strategic initiatives at Intelsat General, a SATCOM solutions provider. "There is a great need for capacity in the Afghanistan theater," he explained, "but there is not a lot of inventory and bandwidth is very constrained."

Price increases aside, Myers praised DISA for its management of the transition from the legacy contracts to FCSA. "In terms of how it was awarded, I tip my hat to DISA," he said. "It processed many re-competes pretty quickly. To my knowledge, none of the end customers missed a beat or went without service."

"FCSA is an improved way to buy transponded capacity," said Ric VanderMeulen, government broadband general manager at ViaSat. "This way, the government can buy directly from the source. Under DSTS-G, the government could buy only from three companies. Anyone with satellite transponder capacity to offer had to go through them."

FCSA represents more options for the government and its vendors alike, according to Andrew Ruszkowski, vice president for global sales and marketing for XTAR, a provider of X-band satellite capacity. "In our experience, FCSA is an improvement over DSTS-G, both from the vendor and customer perspectives," he said. "It has opened up options for both."

XTAR is a prime contractor under the transponded services portion of FCSA, which

was awarded last October, and has recently begun to provide services under the contract on two task orders.

"A small operator like XTAR can't possibly cover all the opportunities and requirements coming out of various users within the U.S. government," Ruszkowski added. "We rely on integrators to extend our reach into the community of users while we pursue opportunities directly with users as well. That has always been our strategy."

The subscription services aspect of FCSA also has the potential to provide flexibility and enhanced service to the government, Myers said. "These are user-defined services," he said. "The vendor provides the customers with the equipment and bandwidth, the customer pays a fixed fee, and they can use it for whatever they want. They can buy one site or they can buy a network."



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Harris CapRock offers a solution called CommandAccess, a pre-packaged, COTS subscription service that matches the requirements of the contract, according to Myers. "Only a small portion of our business is in reselling bandwidth," he said. "We have seen growth in our subscription services with the introduction of our CommandAccess product."

The CS2 contract will enable government agencies to procure custom network solutions. The award of the CS2 contract represents completion of the "bridge phase" between the legacy contract vehicles and the new FCSA regime, Ruszkowski observed. "XTAR is optimistic that CS2 will work well and bring more efficiency to the government and industry."

"What we think would be a typical task order under CS2," said Myers, "is where a customer wants a network solution for a mission type, with teleports, terrestrial interconnects, ground equipment and field services to install and maintain the system. It will short-circuit the process for the armed services because instead of the Army and Navy separately procuring these types of systems, with all that entails, it will just become a task order under CS2."

The GSA-DISA approach to FCSA and CS2 is a smart move for a couple of other reasons, Myers added. "We have seen more customers in the last couple of years looking for complete solutions. They don't want to do integration of piece parts. They want one-stop shopping."

The IDIQ feature of CS2, with its second level of competition at the task order level, will keep a lid on costs, according to Myers, at a time when government spending is under the knife.

CS2 AWARDS

Awards on the CS2 contract were supposed to have been made last fall but have been held up for unspecified reasons. Industry observers speculate that DISA and GSA simply took longer than expected to nail down all aspects of the program and its procedures, in hopes of preventing frustrated bidders from successfully filing protests against the eventual award.

"Vendors are looking forward to the point where there is clarity on CS2," said Ruszkowski. "We anticipate five to seven CS2 awardees and we intend to work closely with them. Integrators need to know where to make their investments. The party that I think is suffering the most is the end-user. Certainly it is to their benefit to have the program up and running efficiently and quickly."

XTAR expects to see some subcontracting work out of CS2. "We see both parts of CS2, full and open as well as small business set-asides, fitting well into our sales strategy," said Ruszkowski. "XTAR looks forward to moving beyond the current transition period to collaborate with the prime contractors of CS2 to bring the greatest possible value to government users."

XTAR supports the FCSA CS2 model of providing end-to-end services, Ruszkowski noted. "XTAR is an integral vendor to its integrator partners, providing efficient, cost-effective and reliable solutions to help meet each unique mission requirement. XTAR serves government users with space segment resources and allows integrators to bring all of the critical elements and technical expertise together as one complete, end-to-end capability. For CS2, XTAR will actively enable the possible primes to deliver these key services to the government end-users."

Intelsat General is also eagerly awaiting the outcome of the CS2 bidding process. "We think it is viable for the government to have

a mix of bidders from among integrators and operators,” said Butler. “Intelsat is not just 55 satellites. It is also a terrestrial network and added value aspects that can satisfy customers’ end-to-end requirements.”

Myers hopes that DISA and GSA will learn from the legacy contracts and not award CS2 to too many vendors. The agencies reportedly have received around 60 proposals, and have downselected potential awardees from among half that number.

Harris CapRock is an incumbent prime contractor on all four legacy contracts that were rolled into FCSA.

“My hope is that they keep the number to a select few, half a dozen to a dozen qualified awardees,” said Myers. “If they award too many slots, it becomes tough to manage and end customers are reluctant to use the vehicle because they get too many proposals for each requisition. There are also too many levels of contention, a higher potential for vendor protests and the end result is that services take longer to get up.”

That was the case with the SATCOM II and Schedule 70 contracts, Myers reported.

“The government should consider multi-year procurements,” said Jim Mitchell, vice president of Boeing Satellite Systems International. “That is how it is done on the commercial side. Making a multi-year commitment to capacity encourages industry to build capacity. The government is sacrificing savings that could be secured if it went to a multi-year approach.”

Boeing currently has a proposal before GSA to join the subscriber services FCSA contract. “We are trying to expand our services business,” said Mitchell.

“Buying on terms longer than one year at a time can guarantee the government has the capacity it will need and better pricing,” said Myers. “Committing to three to five years at a time doesn’t fit the way they do things today. But the government needs to learn that the old mechanisms don’t fit the supply and demand in the space segment anymore.”

COMMODITY BUYING?

A single-year procurement approach also sacrifices interoperability, according to Mitchell. “With a commitment of only one year at

a time, it is rare for commercial operators to put up payloads that are interoperable with the current constellation. If the government doesn’t want or need the capacity after one year, the commercial vendor has no market for that capacity.”

Butler differs with the government approach of buying bandwidth in bulk as if it were a commodity. “Their intention is to reduce cost on a per megahertz basis by buying in bulk,” he said. “But unfortunately, bandwidth is not usually a commodity. There are a lot of differences among satellites in coverage and power. Making huge bulk purchases narrows down the options.”

The government’s program requirements are sometimes overly rigid, Butler continued.

“The government often wants satellite traffic from Afghanistan to land in Germany,” he explained. “Industry would like to land traffic in other locations like Italy or at permanent Middle East bases. It is easier said than done because it requires additional staffing, but I think it would open up additional options.”

Along the same vein, Myers urges the government to define its requirements

without defining the solution. “Let industry come up with different approaches,” he said. “In the past, customers and DISA sometimes predefined the solution. They got what they asked for but that didn’t always meet mission requirements. If, instead, the government more generally articulated its need for capacity, uptime, availability and areas of coverage, it will be pleasantly surprised at the innovative thinking it will get from industry.”

Myers also called on federal officials to think innovatively as well by accepting the concept of hosted payloads. The term ‘hosted payloads’ can refer to a payload being placed aboard a commercial satellite being orbited for other purposes, as well as to a time-sharing type of arrangement in which the customer has access to a defined portion of the satellite’s capacity.

“The market is tight and there is little free capacity,” said Myers. “If a customer needs a big block of capacity, it is often hard to find. The government needs to look at the public-private partnership model like the Skynet fleet in the United Kingdom. They have access to the satellite but don’t have to fund the whole

thing, and the commercial operator can sell excess capacity. That model has worked well in the U.K. This is a concept that is now emerging in the commercial space segment as well.”

The government could also do a better job articulating its projected future capacity needs to industry, according to Butler. “Commercial operators can only supply what they are aware of. One thing DoD has talked about in the past is developing a global baseline for capacity. If DoD could sign up for longer terms, it could be sure that the capacity would be available on a global basis and industry would also be better prepared to handle surge demands for capacity.”

At a higher level, Ruszkowski believes that DoD needs to act on its already-articulated policy of integrating commercial satellite providers within the overall space capacity strategy. “The government needs to start thinking about commercial space resources as an integral part of their solution set,” he said. “Despite a clear statement to that effect in the president’s space strategy, there appears to be a shift toward the use of government-owned assets at the expense of the commercial.”

Government officials should keep two things in mind, Ruszkowski suggested. “They should think about requirements and capabilities rather than systems. And they also need to think about commercial capacity as fully integrated into the capabilities that they deploy. If they do that, they will help establish a healthy space industry that will be able to provide capacity for the long term on a global basis. When a conflict breaks out or a need arises, they won’t have to go scrambling to get capacity in place.”

That seems like good advice, considering that demand for bandwidth is expected to increase in coming years. “Despite all of the news about budget cuts, all indications are that we will see satellite bandwidth requirements growing over the next few years,” Myers said. “Even as troops are being pulled out of theaters of operations, the military will be running more ISR missions requiring satellite bandwidth. My sense is that government demands will increase even as supply is getting tighter.” ★



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