

DON IT Efficiencies/DON Way Ahead Discussion: Jan. 26, 2012

Mr. Terry Halvorsen, DON CIO: Good afternoon, or good morning. I guess we're still on morning on the West coast. I keep virtually shifting between time zones here, sorry I'm a little late. But Janice [Haith] and I are here today to talk to you a little bit about efficiencies, where we're at, and then take your questions.

So, as an opening, just a couple things. We are still working through the \$2 billion that we have taken in IT efficiencies over the FYDP, they start in accumulating in FY13, we are absolutely starting the work and have been starting the work to execute that. It is no secret, the concentration areas for that: data center consolidation, enterprise licensing, application rationalization, reviewing of how we procure and buy not just the cell phones and BlackBerrys but how we execute the processes around those services. All of those things are major efforts inside the efficiency effort, they are all tracking. I see right now they are all tracking well, that would be a low bar right now and we're just starting, but all of the things we see, the data we have seen come in for all of the areas supports the savings that we are taking to get there or that we have already taken.

I need to be very clear, the money has already been removed from the budget, now we're just making sure we execute it in the right areas. I would tell you the next thing that will be big inside IT and cyber from a business as we embark in support of the SECNAV business transformation effort will be a specific tasking about IT cyber business transformation that will be led by the DON CIO office, and what that really focuses on is how do we look at IT to enable other parts of the business in conjunction with reviewing the business process to save money. The money would not come out in that sense from the IT business line, but IT would enable the savings in another business line. The real key to that is how we do that using existing IT, changing the process, and not having to make substantial investments in the IT side to get the savings.

We'll make what we have to, but we want to hold that investment line to the minimum and it's really about changing the processes to better utilize the IT systems that we have in place today. And maybe looking at if we change the process, can we eliminate work and dramatically modify an IT system that we have today. That's what we're looking at. That will be the big part of the IT business transformation effort that will be kind of the next phase in what we want to do under restructuring our IT business processes. So no loss of focus on the efficiencies, but now we want to add to that how do we start expanding out of just the IT money looking at how do we make money in other business lines by the more effective execution, use and implementation of our IT systems.

That's really what the IT efficiency effort is morphing into. That's where we're headed on the DON side. We will also be vigorously looking at what policies do we need to change to enable some of that to happen. We're going to challenge ourselves on almost every policy area, including security. Not to lessen security in any way, but are there more effective ways we could achieve the security results we want but maybe improve the timeline it takes to get there or the way we execute the current processes. That would be processes for ATOs, processes for software certification and hardware certification. So we're going to look very hard at that process in conjunction with the services.

We're looking hard at our fielding timelines, not so much the acquisition piece of that but once we've acquired the system, how do we feel that again, how do we look at the testing that's required to put all of those new systems or new products in place. Conversely we're looking at the processes to take them out too, how we can do that faster. And maybe be able to do it on a timeline that removes things we want removed throughout the entire network of network systems, the system's faster again without more investment money going into that, to do that within the existing baseline of the funds by changing the process. That's kind of the DON's side picture on where we're going with the efficiencies. Janice will talk about the Navy.

Ms. Janice Haith, DON Deputy CIO Navy: So Terry's right, the Navy has executed the efficiencies that the DON leveraged, like data center consolidation, we're doing enterprise software licensing, I don't see the Marine Corps team in here, but the Navy made a very conscious decision with the DON's help that the Marine Corps had a process. We didn't really have a good process, so let's leverage it, so we can partner with our sister service in the Department and get some benefits out of what they're doing and that's what we're doing.

We're working toward portals, we're going to be making some major changes on how we do our portals, SharePoint is going to be our starting one and where we go with that, we have put in the Palm 14 guidance for all of you Navy people who are in here. You will see some major changes. One is that we are going to clamp down on registrations and DIPR-DON and DADMS. We are going to start some wink backs between those systems and Nightstar so we can better track IT spend because what we're finding is last fiscal year 10, they haven't given us the final number for 11 yet, but there was over what we call the gray IT spend, over \$500 million in gray IT spend that we can't explain to the CNO. And he wants to know why and what we're buying.

You're going to see us making some more changes when NGEN rolls out, we don't know what the new structure is going to be. And we don't know who the vendors are. But we are going to be making some more changes on how we operate within COSC. Some people aren't going to like them, but those changes are coming from the CNO, he's concerned. We're shrinking our workforce, but we're growing in our COSC environment. He doesn't understand why we can't explain it that well either. So those things are coming.

We've also put some other guidance out that deals with application rationalization. The CNO doesn't like the fact that we have over 1,400 systems and 7,000 applications in the Navy. And I will tell you we are by far smaller than the Army and the Air Force, their problem is three times what ours is, but he can't understand it. So we've put a mandate out and the other resource sponsors are aware of it, we asked for 50% reduction by fiscal year 15 of your applications. People have built a lot of things and we're now trying to figure out what are you building this for? What does it tie to? Is it the law? Is it a policy or is it just something somebody decided to build because they didn't like what was already out there and now it's in perpetuity? Those are going away and the DCNO is also clamping down on that.

So there are major changes coming. Again, we just don't have the resources we used to, and so we have to do things a little bit better, more efficiently, we have to be more joint. You may see the Navy using

Marine Corps for a lot more things. It's not because we can't work together, we are working together, it's because it's more efficient for us. And as a department, it gives us a bigger bang for the buck. So I'll turn it over back.

Mr. Halvorsen: So the only other comments I'll make are what are we looking for industry to do? Very much the same things. How do you help us cut back apps, rationalization of applications, what products and services do you bring to the table that support less investment overall, that have documentable, traceable, put in your pocket savings. Hear me say this, I think every time I talk to you I still get all kinds of proposals that talk about if you give us this million dollars, we'll cost avoid for you \$3 million. While that's nice, we're not in the cost avoidance business right now. I'm in the: you need to explain to the DON how I'm going to take and spend \$3 million less. Not how I'm going to avoid spending money I didn't spend in the first place because you're making an assumption there that you would've spent it and right now the baseline assumption is I'm not going to spend it anyway because I don't have it.

So I want to be really clear when you send those in, if your paper doesn't explain to me how I'm getting true savings, you probably won't get a response. Don't have time frankly, neither does Janice, when it's not right now helping us achieve savings. That's what we're out to do. Does that mean we don't want to hear from anybody that doesn't have a way for us to better, more effectively operate? Sure, if you have a way I can more effectively operate that costs me no money, send that to me. If you have a way that improves my effectiveness and costs me \$10 million, send that through the normal channels, we have a whole process to do that. Just where the priority of focus is. We are trying to buy less tools, and as Janice said, looking at more tools that can operate in the joint environment.

If I was on your side of the table, and I'm talking industry here, I would be really looking hard at whatever I bring to the table, be it hardware, software or services, how it can apply in a joint environment. Joint could be defined as at a minimum, how it would operate in a Marine Corps/Navy environment, if you're talking to us, how it would do that. In a better sense, how it could operate across DoD lines. We really are interested in how that happens. We know we have to get there, we have to leverage that better to help us meet the current budget issues that we're looking at. So that's key. I talk a little bit, small businesses. If you read the current strategy, it talks about how inside the DON and inside DoD we are going to focus on how we leverage our partnerships. Not just inside the DoD, but how we leverage partnerships with other Federal agencies, how we leverage partnerships with our allies, how we leverage partnerships with our coalition environment. I think if I was a small business, I'd be looking at the very same things. How do I leverage partnerships with other small businesses, bigger businesses, so I can expand who I can contact at less cost of my own money. We are doing the same thing inside the DON and the DoD. That's just my advice, that is not a statement of policy for the DON, it's just as I look at the picture, that's what I think I would do if I was on the business side of the table today.

I will not open the floor to your questions. Are there any questions?

Audience member: *Mr. Halvorsen, you had mentioned earlier that based on the current DoD policy for cloud, as you know it's in draft right now, but it's pretty restrictive in terms of really pointing everybody*

towards DISA for those cloud services. Do you see us being able to leverage some of those true commercial enterprise cloud services as we implement IT efficiencies?

Mr. Halvorsen: The answer is yes I do, but I will just want to point out to you that the DoD cloud policy is in draft. The DoD authorization bill has been signed. The language in it says you will look at commercial solutions. Congress, who gives us our money, has said very clearly, you will go look at commercial solutions. It didn't say you can, it didn't say you might, they were very specific and when Congress writes something that specific, generally there has been some communication between Congress and DoD. So yes, I absolutely think, and I will tell you within the DON, we are going to consider commercial solutions.

As some of you in the last session heard, I think the answer in the DON for what we will do with cloud and what we will do with almost anything will be a multiple set of solutions. We will not have one cloud environment in the DON. Will the DON own and operate through the services its own private clouds? Yes, we will. Will the DON go to commercial areas and have a commercial private DON cloud? Yes it will. Will the DON be a customer of a commercial broad based cloud with lots of people in it? Yes, we will. When we will do that will depend on the mission, the security required and the cost, and all of those will be factors that we look at as to what is the right set of solutions. In some cases, we are going to take more risk in even some mission areas, not warfighting mission areas, but business mission areas, where we will say, you know what, yes there's some risk, a little higher risk than if we owned and operated it ourselves, but given the cost trade off and that we can maintain the security, we're going to take some risk here. That's the model we're going to use inside the DON.

Audience member: *Sir you mentioned looking at security practices and improvements and processes, could you talk about any of the other systems or IT business processes that you're looking at for savings and improvement in processes?*

Mr. Halvorsen: We're looking at every other system and process; I mean I don't know how to be more direct. We're looking at everything from data centers, email, accounting, logistics, maintenance, everything that has an IT process associated with it, we're looking at it, there's nothing off the table.

Audience member: *Are you looking at the owners of the processes and systems or is there a user input as well?*

Mr. Halvorsen: The answer to that again is yes. You got to talk to the owners, and the owners, when you say owners, I'm going to define that as, I have government owners, in some cases I have industry owners of those systems that I buy, so we're talking to them. We're talking to the government owners, we're talking to the users, we're talking to everybody that it touches, but there is nothing off the table in what we're looking at in terms of IT and cyber effectiveness and efficiency and business transformation improvements. There's nothing off the table.

There's a schedule for the ones that can have a schedule. I don't mean to be flippant, but data center consolidation we're pretty mature along, it has a schedule. How we're looking at buying our mobility, you know everything from the BlackBerrys, cell phones, and service plans, all that has a schedule. VTC

has a schedule. Enterprise licensing has a schedule. Some of the other areas we're still looking aren't mature enough. As soon as they are, they will have a schedule. And if you've got an area that we can make improvements on and save money, get that to us, we're interested in that and we will evaluate it and if it makes sense to us we'll come see you.

Audience member: *Mr. Halvorsen, the FY12 bill also stipulates a requirement for the DoD CIO to evaluate the utility of a telecom expense management system as far as the viability of them and there's a requirement to report back in March actually with the findings of that. What is the DON doing with that?*

Mr. Halvorsen: The DON actually is well ahead of what the requirement currently stated is. We are fielding in the DON a couple systems today that can break out those costs down to the almost lowest level of command. It will show them what they've spent, how they've spent it, down frankly to the single phone number of what minute plan they were on, what cost, let them compare that to what costs they may have been able to buy. Janice has taken a great lead in this on the Navy, as had Kevin Nally on the Marine Corps side, to frankly say when they do the analysis, command x, yeah you tried, didn't get it right, you're now going here, this is how you're going to buy, this is how you're going to execute.

We're looking at how we bundle minutes, bundle plans. The Marine Corps is way ahead and we're looking at how they have used the BlackBerry to be their connection device so in answering that data call specifically we're able to provide much more data than the data requires on that to also include how we have looked at our big long haul circuits in the same way.