

# GAO: Pentagon's Commercial Satellite Bandwidth Costs Have Risen Dramatically

RACHEL BERNSTEIN, WASHINGTON

The U.S. Department of Defense's commercial satellite services costs have risen significantly in the last eight years, but Pentagon officials expect a new bandwidth purchasing vehicle to increase competition and lower prices in the future, according to a new report by a congressional watchdog agency.

On average, the Pentagon's per-megahertz cost of commercial satellite bandwidth was 30 percent lower in 2003 than in 2010, the U.S. Government Accountability Office (GAO) said in a Sept. 7 report, "Telecommunications: Competition, Capacity, and Costs in the Fixed Satellite Services Industry."

That basic conclusion was supported by an internal Defense Department analysis, which found that bandwidth costs have increased since 2005, according to the GAO. The Defense Department analysis cited in the GAO report was prepared by U.S. Strategic Command.

But Pentagon officials expect the new Future Commer-

cial Satellite Acquisition (FCSA) bandwidth procurement program to boost competition, and thus reduce costs, because it does not limit how many eligible vendors, including satellite operators, can compete directly for defense business, according to the GAO report. The FCSA program allows the Defense Information Systems Agency (DISA), which procures commercial bandwidth on behalf of defense agencies and military services, to contract directly with satellite operators.

Under DISA's previous bandwidth procurement program, dubbed Defense Satellite Transmission Services-Global, or DSTS-G, all purchases were funneled through one of three designated companies, called integrators. These integrators do not operate satellites but rather cobble together satellite telecom solutions using bandwidth procured from one or more operators.

The argument for going through integrators is that they have the expertise and the objectivity to select the most cost effective solutions,

whereas satellite operators have an incentive to steer the customer toward their own satellites even if they are not ideally suited to the requirement. Satellite operators dispute this, and also say contracting directly with them cuts out middleman fees.

The DSTS-G program is to be completely replaced by FCSA, which is administered by DISA for defense customers and by the General Services Administration for other government users. The integrators are still expected to have a role in FCSA contracting, despite the greater flexibility the program affords the buyer.

The GAO report did not quantify the potential savings from increased competition, saying prices will still be affected by supply and demand, as well as the length of the bandwidth lease. Nor did it make any recommendations about how to bring down bandwidth prices.

"I was more hopeful they would make a recommendation," said David Cavossa, executive vice president and general manager of Harris Corp. subsidiary CapRock Communi-

cations, based in Fairfax, Va. CapRock was one of the three integrators under DSTS-G.

Cavossa said that while the report describes changes in the satellite services industry in the past decade, it does not take a stand on the effects that the changes have had on the market and the customer. He declined to be specific, but CapRock in the past has accused Intelsat, the world's biggest satellite fleet operator, of engaging in anticompetitive practices in government bandwidth procurements.

"It would have certainly sparked a larger conversation if the GAO would have taken a position," Cavossa said in an emailed response to questions.

But Cavossa said he was encouraged that the GAO recognized the added value integrators bring to satellite bandwidth procurements.

Cavossa pointed to Harris CapRock's infrastructure, which includes 18 teleports on six continents, and 83 points of presence on a global terrestrial network, which are supported by an in-house field services force. Because the company owns and operates

the infrastructure, it is able to provide customers with quality control, responsiveness, equipment, network services and customer service, rather than just satellite capacity, he said.

Without integrators like CapRock, customers may have to reach out to multiple vendors to pull those resources together, Cavossa said.

Kay Sears, president of Intelsat General Corp., the government services subsidiary of global satellite operator Intelsat, based in Bethesda, Md., said in a statement that the higher bandwidth prices reported by the GAO should have come as no surprise to the government.

Sears said prices rose because operators in both government and the private sector had difficulty keeping up with the high demand from U.S.-led forces operating in Afghanistan and Iraq.

Sears also said that prices in some areas were artificially low because the government locked in rates, in some cases for three to five years, at a time when there was excess capacity.