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before the:
House Committee on Oversight and Government Reform,
Subcommittee on Government Operations

Hearing Titled:
“Data Centers on the Cloud: Is the Government Optimizing New Information
Technologies Opportunities to save Taxpayers Money?”

May 14, 2013, 2:30 p.m.

“FDCCI and Cloud – Show Me the Money”

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee, thank you for the opportunity to speak to you today. My name is Steve O’Keeffe and I am the founder of MeriTalk’s Data Center Exchange and Cloud Computing Exchange, public-private partnerships focused on cross pollinating best practices in Federal data center consolidation and cloud computing efforts. Our partnership includes Federal agencies and leading private-sector companies who work together collaboratively to move the ball forward on the Federal Data Center Consolidation Initiative (FDCCI) and cloud computing. In that role, I have spent years listening to Federal leads talk about successes and challenges, as well as to industry experts who provide the technology that makes it possible. On behalf of Data Center Exchange, Cloud Computing Exchange, its industry members and Federal thought leaders, we are pleased to be here today.

When Vivek Kundra announced the Federal Data Center Consolidation Initiative – FDCCI – in February 2010, OMB said that the Federal government owned 1,100 data centers¹. We were told that Uncle Sam’s power processors gulped 6 billion Kwh of electricity in 2006 – and warned that power draw could double by 2011 without a “fundamental” shift in behavior². The bottom-line promise, \$3 billion in FDCCI savings by 2015³. Cloud was also billed as a IT budget crusher. Out of the \$80 billion in Federal IT spend, it is estimated that almost half goes to infrastructure. Notably, data centers occupy the most substantial portion of agencies’ infrastructures. So, looking for savings in the data centers makes a whole lot of sense.

Today, 18 months from the FDCCI savings deadline, we now have 2,713 data centers – yes that’s definitely an increase⁴. While cloud is in the forecast, it hasn’t changed the outlook. Now, let me be clear, the data center headcount is not simply a question of Feds finding mainframes under

¹ Office of Management and Budget, “Memorandum for Chief Information Officers: Federal Data Center Consolidation Initiative,” February 26, 2010

² Office of Management and Budget, “Memorandum for Chief Information Officers: Federal Data Center Consolidation Initiative,” February 26, 2010

³ FCW, “Hearing Set to Probe Data Center Progress,” May 6, 2013

⁴ Calculations based on Government Accountability Office, “Data Center Consolidation: Agencies Making Progress, but Inventories and Plans Need to Be Completed,” July 2012 and DATA.gov

the bed – OMB has changed the definition of what is a data center repeatedly since February of 2010. That sent Federal data center leads chasing their tails – counting and recounting to answer the multiple data calls.

So far, GSA tells us that we have shuttered 420 data centers⁵. The DATA.gov site – <http://1.usa.gov/XTr6Q> – gives us the longitude and latitude of the closed data centers, but it does not tell us how much money we have saved. As the FDCCI deadline looms large – again, it’s less than 18 months away – now’s a good time to get real about the bottom-line benefits. According to OMB’s math, we need to close 780 more data centers by 2015⁶. We need to understand which agencies are doing it right and what do we need to do to accelerate savings.

FDCCI – The Big Squeeze

MeriTalk hosts a public-private community focused specifically on Federal data centers – the Data Center Exchange⁷. We meet with Feds regularly to understand their challenges and opportunities in FDCCI. On Monday, we released a new study based on feedback from Federal data center operators – “The FDCCI Big Squeeze⁸”. We would underline that the only way to achieve better results from Federal data center optimization is to listen to the Federal data center operators – they know their environments and they are very focused on doing the right thing by the tax payer.

Here’s what the study tells us. Fifty-six percent of data center leads give their agencies a C grade or below for FDCCI. Seventy-one percent note they have closed some data centers, with an average of 31 data center closures per agency. Only half of Feds believe that their agency is on target to meet the target FDCCI number of closures – 1,200.

Considering the source for savings, Feds see energy bills as a top opportunity. This is a recurring theme in the Data Center Exchange’s studies over the last three years. It’s ironic, as given the separation of IT and facilities cost centers, 95 percent of Federal data center leads don’t pay the electric bill – or even know what it costs. This is a major blind spot in the vision to save money from data center optimization. You’ll note that OMB has dropped the discussion about power savings from its FDCCI platform.

So, what do the Feds tell us about obstacles? Let’s consider the top three challenges. Mission-owner objections – that’s interesting in light of the recent resignation of Richard Spires, former CIO at DHS – he ran into significant challenges trying to take control of IT from mission owners that had other ideas. The ramifications for FITARA are profound. If we do not support CIOs that try to stand up to mission owners and agency component CIOs, then what’s the point in calling for CIO empowerment? There are 23 CIOs at USDA. What CIO will step over Richard Spires to enforce better IT management?

⁵ Steve O’Keeffe, “My Cup of IT – IT Gerrymandering?,” April 4, 2013

⁶ Calculations based on Government Accountability Office, “Data Center Consolidation: Agencies Making Progress, but Inventories and Plans Need to Be Completed,” July 2012 and DATA.gov

⁷ MeriTalk’s Data Center Exchange, www.meritalk.com/dcx

⁸ MeriTalk, “The FDCCI Big Squeeze,” www.meritalk.com/fdcci-big-squeeze.php, May 13, 2013

The other top challenges are also telling and should be taken together. No budget for consolidation and inability to shut down and consolidate applications. Nothing comes from nothing. CIOs need to be able to prioritize applications and consolidate functionality – this goes back to GAO’s report about 622 HR and 777 supply chain systems⁹. In this fiscal climate, think it’s safe to say there is no new IT money. If agency CIOs can’t rationalize applications, then there’s no money to consolidate – which means there will be no cost savings. Something needs to give.

In the study, Feds point to DoD, DHS, and NOAA as leaders in data center optimization. A call out here to Darren Smith and the team at NOAA – they are blazing the trail in modernization and are one of the few agencies that know and manage their electricity bill. It’s sad and ironic that Feds looked to DHS – and Richard Spires leadership – as a model for change. Again, with Spires out, what other CIO will step up to challenge the components and mission owners? Lessons for FITARA.

Recommendations – The Five-Point Plan

Here are the Data Center Exchange’s recommendations for how to achieve better outcomes in data center optimization:

1. *Don’t Hide* – Gerrymandering FDCCI to make it look like a success by combining it with PortfolioStat is not the way to go. Let’s put the cards on the table – set realistic goals in the open and publish the real status on success and failure. OMB has a data center TCO model. In this era of open government, why is this model kept secret? Publish the model so that government and industry understand how we’re keeping score
2. *No Money* – Recognize that there is no new money for data center optimization. Empower the CIO to rationalize applications – it’s the only way to fund the path to make things better. Agency leadership and Congress need to support the CIO in the inevitable clashes with the mission owners and components
3. *Application Rationalization* – Touched on this above, but it bears another mention. We do not need 600 HR systems. Prioritization is the key to changing the value and financial equation
4. *Marry IT and Facilities* – One data center executive needs to understand and own the budget for total data center cost. GSA owns most of the facilities and pays the electricity bill. Why not publish the energy bills for each data center? How do we pick which data centers to close if we don’t know what they cost to operate? Interesting to note that, according to Uptime Institute, 12 percent of data center operational cost is electricity¹⁰
5. *Public-Private Partnership* – MeriTalk champions public-private partnership. That said, we need more and deeper public-private collaboration. Why don’t we recognize that government is not the only organization that operates data centers? There are existing definitions of what is a data center – why not embrace these rather than keep creating our own in government? Why not utilize industry standards, data center efficiency measurements – like Power Usage Effectiveness (PUE)? Leaders like Jake Wooley at the

⁹ Government Accountability Office, “Information Technology: Potentially Duplicative Investments Exist at the Department of Defense and Energy,” February 17, 2012

¹⁰ Uptime Institute, www.uptimeinstitute.com

Department of Energy can help data center leads all over government spark new energy efficiencies. How long did it take NASDAQ to do its data center optimization? What steps did it take? How much money did it save? Is the mission exactly the same? No. But, can we learn a huge amount from industry? Absolutely yes

Cloud Congestion

Turning to cloud, the forecast is better than the weather. The onramp to cloud – FedRAMP – is horribly congested. GSA launched the program in June of 2012, and according to GSA’s site, today there are only two approved Cloud Service Providers¹¹. If the cost for FedRAMP certification – and the delays – outweigh the volume of business that solution providers receive from the agencies, industry will sidestep the process. That said, cloud acquisition vehicles are sorely needed. GSA needs to get real about the value of the process. Beware of OCI concerns – how can Cloud Service Providers also serve as Cloud Brokers – or 3PAOs? Is it true that GSA is looking to outsource the selection process for Cloud Brokers? Trying to distance yourself from the responsibility is not an answer.

There are a couple of silver linings. First, cloud email/collaboration. Google and Microsoft are competing hard – and splitting the spoils in cloud mail. This competition makes agencies the winners. Amazon and ServiceNow are winning in hosting non-essential, public-facing sites and service-desk applications. Interestingly, the specter of Amazon is forcing internal agency IT suppliers to cut their prices and improve services. Again, competition is good for agencies and the tax payer.

We’d like to see a better accounting of how cloud is saving money. MeriTalk worked with government and industry to build the Federal Cloud Computing Savings Calculator¹². Let’s put the programs into the calculator and sum the savings.

Conclusion

In closing, data center optimization and cloud migration are critical to improving Federal IT efficiency and enhancing services as well as enabling business agility. Let’s get real about who’s driving the bus on Federal IT modernization. Are the agency CIOs in charge – and therefore accountable for results? The efficiency of Federal IT is about much more than the \$80 billion budget – it plays a critical role in reinventing government and delivering better services to America. If we don’t assign real responsibility, the future will look much like the past – and America’s tax payers can’t afford that.

We are ready and willing to discuss our initiatives and recommendations. We look forward to working with you and the subcommittee to bring about additional improvements to Federal IT efficiency and FDCCI in the Federal government.

¹¹ General Services Administration, FedRAMP.gov

¹² MeriTalk Cloud Computing Savings Calculator, www.meritalk.com/savings-calculator.php