



DEPARTMENT OF THE NAVY NAVS
 UP Fleet Logistics Center SIGONELLA PSC 8
 12 BOX 3560
 FPO AE 09627-3560

IN REPLY REFER TO:
 J&A No. 16-022

1. Contracting Activity.

NAVSUP FLCSI – Naples – Rota Shore Team

2. Description of the Action Being Approved.

This is a non-competitive action submitted for approval to issue a Firm Fixed Price (FFP) Indefinite Delivery Indefinite Quantity (IDIQ) commercial contract to Telefonica de España (Telefonica) in support of Naval Computer & Telecommunications Area Master Station Atlantic (NCTAMSLANT) for fixed-line telecommunication services at the Naval Station (NAVSTA) Rota, Spain. The ordering period is anticipated to be from 25 June 2016 to 24 June 2021. The estimated total dollar value is \$5,835,695.11 and will be funded with Operations & Maintenance, Navy (O&MN) funds.

3. Description of Supplies/Services.

NCTAMS LANT DET ROTA is the Activity Providing Telephone Service (APTS) to all US Navy activities within the Commander, U.S. Naval Activities (COMNAVACTS) SPAIN area of concern. There are more than 20 primary customers including: NAVSTA Rota, CTF-68, Forward Deployed Naval Forces (NAVSEA, DESRON 60, four DDGs), USAF 725 AMS, and three US Naval Support Elements on the Iberian Peninsula (Madrid, Lisbon, and Valencia), as well as Defense Logistics Agency, and other small tenant commands on base. Currently 3,100 lines are in use, and, the base telephone switch is wired, equipped and licensed to provide a maximum of just over 7,000 phone lines.

Required services are to provide standard commercial telecommunications services to official users, Public Switched Telephone Network (PSTN) trunks consisting of Integrated Digital Services Network Primary Rate Interface (ISDN PRI) service with number and long distance access, PSTN Number assignments, PSTN lines, cable pair use and maintenance, fiber optic cable installation and maintenance, provision of telephone instruments and maintenance, Asymmetric Digital Subscriber Line (ADSL) service, ISDN Basic Rate Interface (BRI) service for Video Conferencing (VTC), and Point-to-Point (PTP) circuits at NAVSTA Rota and other US Navy activities within COMNAVACTS SPAIN Area of Concern (AOC). The contractor shall provide reliable service and response times not less than that provided to other commercial entities in Spain that are of a similar size and scope.

Estimated Dollar Value

	Year 1	Year 2	Year 3	Year 4	Year 5
Total €	1,014,734.77 €	1,035,029.47 €	1,055,730.06 €	1,076,844.66 €	1,098,381.55 €
*Total \$	\$ 1,121,377.80	\$ 1,143,805.36	\$ 1,166,681.46	\$ 1,190,015.09	\$ 1,213,815.40

*Utilizing current budget exchange rate of .9049

4. Statutory Authority Permitting SOLE SOURCE.

- **Section 4202 of the Clinger-Cohen Act of 1996 - a sole source acquisition under the authority of the test program for certain commercial items, as implemented by FAR 13.501(a).**
- **10 U.S.C. 2304(c)(1), as implemented by FAR 6.302-1 – Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements.**

5. Rationale Justifying Use of Cited Statutory Authority.

Fixed-line and mobile telecommunications services at Naval Station Rota are currently being provided under contract N68171-14-D-0020. The contract was awarded on a sole-source basis to Telefonica for the period of performance of 25 September 2014 through 24 September 2015. The sole-source justification number 14-30 was approved on 14 August 2014. On 23 September 2014, the Government issued modification P00002 to contract N68171-14-D-0020 which extended the period of performance for nine additional months. This modification was a bridge extension as authorized by request for bridge authorization 15-19 and Justification and Approval 15-032, dated 9 September and 10 September 2015 respectively. The period of performance of the bridge action was from 25 September 2015 through 24 June 2016.

Prior to award of contract N68171-14-D-0020, the services were previously obtained via a NCTAMSLANT Ordering Officer utilizing Basic Agreement (BA) HC1021-12-H-2018 between DISA/DITCO-Europe and Telefonica, in conjunction with DD Form 428, Communication Service Authorization (CSA), or an electronic equivalent to acquire a variety of communication supplies and services.

The previous J&A authorized sole-source procurement of both fixed-line and mobile telecommunications services. After careful review by the customer and analysis by [REDACTED] Base Communications Officer for NCTAMS LANT DET Rota, Spain, the Government has determined that fixed-line telephone services must remain sole-source. The Government determined that Mobile telephone services, however, could be competed on a full and open basis. As such, the Government split these services and issued a separate competitive Request for Proposal for mobile telephone services. Solicitation N68171-16-T-6006 was issued 9 March 2016, and the Government received two offers in response to the solicitation. The source-selection process is ongoing.

Fixed-line telecommunications services must remain sole-source with Telefonica, as they are the only company with the necessary infrastructure on base. Telefonica owns approximately 95 percent of the underground conduit system and 100 percent of all copper cable. This situation results from two historically important factors: (1) Telefonica, previously the Spanish National Telephone Company, or Compania Telefonica Nacional de España (CTNE), was a government-owned monopoly that had provided the infrastructure to NAVSTA Rota. In 1989 the European Union required member countries to privatize their state-owned telecommunications monopolies with Telefonica retaining ownership and control over infrastructure and intercity connectivity, and (2) In addition, the process used by the US Navy to purchase telecommunications services (DD Form 428 Communications Service Authorization (CSA), written against the Defense Information Systems Agency Telecommunications Contracting Organization (DITCO) Basic Agreement (BA) with Telefonica), permitted the service provider to retain ownership of the infrastructure installed. The estimated cost to replace all infrastructure and copper cable at NAVSTA Rota to be able to provide all required services is [REDACTED]. As this figure is approximately 7 times the estimated cost of the contract, it is not possible to recover these costs through competition.

Additionally, even if a different company was given permission to utilize existing Telefonica assets, it would still not be in the Government's best interest to compete the requirement. To upgrade or provide maintenance to any telecommunications system, it will impact Telefonica-owned infrastructure. For the other company to provide required services, they would need Telefonica's permission, and Telefonica would have to have a team on site to ensure Telefonica assets are not damaged. Telefonica would charge the Government or the other contractor for this oversight effort. The Base Communications Office Officer estimates that this cost would increase the overall cost of service by approximately [REDACTED]

Due to the nature of these services, a lapse in the required services would result in a complete loss of Command and Control (C2) telecommunications services to the NAVSTA Rota customer base. Impacted telecommunications services include PSTN trunks consisting of ISDN (PRI) service with number and long distance access, PSTN Number assignments, PSTN lines, ADSL, SDSL, ISDN BRI Video Teleconferencing, and Point-to-Point circuits at NAVSTA Rota and other US Navy activities within NAVSTA AOR. A complete loss of telecommunication services will have a catastrophic impact on mission readiness of all commands onboard NAVSTA and increase risk to safety of life/property. Telefonica is the only company able to provide the complete suite of required telecommunications services required, with the level of efficiency and reliability needed to support the US Government's operation and mission at NAVSTA Rota. Given the foregoing, Telefonica is the only source reasonably available to meet this critical requirement.

6. Description of Efforts Made to Solicit Offers from as Many Offerors as Practicable.

Market research showed that there are at least five national and regional providers of telephone services in Spain, however, they are mostly specialized in internet and mobile services. These include Telefonica, [REDACTED]. Representatives from [REDACTED] visited the base in September 2014, and were advised of the requirement to install or otherwise obtain the necessary infrastructure to provide telecommunication services. No other provider expressed interest at that time. [REDACTED] has not taken any action since that meeting to install the required infrastructure.

In accordance with DFAR PGI 206.302-1 the Government posted a Sources Sought notice to the government-wide point of entry on 6 May 2015. The Sources Sought requested that any potential offeror provide a capabilities statement regarding fixed-line telecommunications services. The Government received emails from four companies; however none of the companies provided a capability statement. The four companies were [REDACTED].

On 20 May 2015, the Government sent an email to representatives of each of the four companies asking for a capability statement describing the company's ability to provide fixed-line telecommunications services at NAVSTA Rota. Specifically, the Government asked potential offerors to describe what infrastructure is in place at NAVSTA Rota to provide the required services. In response to the email, the Government only received responses from two companies, [REDACTED]. Both companies provided generic information about capabilities, but neither addressed the specific requirements posted nor described any infrastructure currently in place to support NAVSTA Rota.

All communications with [REDACTED] were submitted to [REDACTED] for review. The Contracting Officer asked [REDACTED] to determine if either of the potential offerors had the ability to provide the services required in the PWS. On 12 June 2015, [REDACTED] provided his evaluation of potential offerors and stated that "neither can provide fixed-line services to the extent required by the PWS."

The Government has continued to survey the marketplace, and no changes have occurred since June of 2015. There have been no new service providers that have entered the marketplace, and none of the aforementioned companies have installed new infrastructure on or around NAVSTA Rota to be able to

provided fixed-line telecommunications services. On 26 April 2016, the Base Communications Officer at NAVSTA Rota stated that the market for fixed-line services has not changed and confirmed that “Telefonica still owns the outside plant and is the only prospective provider with infrastructure on base.”

In accordance with FAR 5.202(a)12, the Government is not required to synopsisize this action, as contract performance will take place outside the United States and only local sources will be solicited.

7. Determination of Fair and Reasonable Cost.

The Contracting Officer has determined the anticipated cost to the Government of the services covered by this J&A will be fair and reasonable.

8. Actions to Remove Barriers to Future Competition.

As stated above, the current contract includes all fixed-line and mobile telecommunication services. Through market research and better defined requirements, the Government competed the contract for mobile telecommunications services. This was issued under a separate solicitation with full and open competition. However, it is not possible to remove barriers to competition regarding the fixed-line telecommunications services. Telefonica owns and operates the vast majority of infrastructure on base that supports fixed-line telecommunications services. It is not economically feasible for another company to compete for the required services.

9. Contracting Point of Contact

The Contract Specialist for NAVSUP FLC Sigonella, Rota Shore Team is Mr. Brett Dickstein, who may be reached at +34-956-82-1996 or via email at brett.dickstein@eu.navy.mil. The Contracting Officer is Mr. Paul Campbell, who may be reached at +34-956-82-2997 or via email at paul.campbell@eu.navy.mil.