

STATEMENT BY
BILL CLARK
EXECUTIVE COMMITTEE MEMBER
NATIONAL FEDERATION OF FEDERAL EMPLOYEES (NFFE), LOCAL 1627
BEFORE THE SUBCOMMITTEE ON SCIENCE, TECHNOLOGY AND SPACE
OF THE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE
OCTOBER 21, 1999

MR. CHAIRMAN and members of the Senate Subcommittee on Science, Technology and Space, I want to thank you for the opportunity to speak to the Subcommittee on the issue concerning the future mission of the National Technical Information Service (NTIS). As the representative for NTIS' bargaining unit Local 1627, it is both a privilege and honor to be before this committee testifying on behalf of labor. My testimony will bring an employee perspective to the ongoing debate about the future of the organization and its functions. I should also add this is the first opportunity for NTIS' bargaining unit to provide its position on the Department of Commerce's closure proposal. To the dismay of many, the bargaining unit representing the interest of all NTIS employees was not part of the Department of Commerce decision-making process regarding the closure proposal.

INTRODUCTION

I will begin my testimony by making a statement shared emphatically by my NTIS colleagues. There is no valid justification for closing NTIS. The Department's decision to disband NTIS is a flawed and potentially damaging proposal. It jeopardizes the many critical functions NTIS performs, while placing an additional burden on U.S. taxpayers to cover the costs of moving NTIS functions to the Library of Congress. Continuing to support these functions would require significant annual appropriations. If the Department's proposal is implemented, the ultimate losers will be the users of NTIS products and services, U.S. taxpayers, as well as the more than 240 dedicated NTIS employees.

As you are aware, NTIS is a non-appropriated agency. NTIS' mission to archive and disseminate a collection of more than 3 million government information products is accomplished at no cost to the U.S. taxpayer. The quality of U.S.- sponsored research is known worldwide, and NTIS has been the premiere conduit for distributing this content for more than 50 years. Much of NTIS' collection is made up of highly specialized technical reports used by corporations, consultants, academic and government researchers, and even internationally-based companies and governments, all of whom pay user fees to offset the cost of dissemination. The functions NTIS performs are vital in today's growing information-based economy. I was fortunate to attend a recent House of Representatives' hearing on the future of NTIS where I heard powerful testimony by members of the library and information community, as well as by government officials in support of the functions NTIS now provides. I left the hearing with a clear impression of the strong broad-based

support for the information dissemination mission NTIS performs.

FLAWED PROCESS

To NTIS employees, one of the most disturbing aspects of the Department's decision to close NTIS is the fact its employees were not permitted to be direct participants in the review and analysis process. Instead, this responsibility was handed over to a private consulting firm and Department of Commerce management. This process undermined the fact that NTIS employees were in the best position to assess NTIS' problems, challenges, and strengths, and would have been an invaluable resource throughout the entire review and analysis process.

Therefore, in order to set the record straight, and to defend the important contributions NTIS employees make to the public good, I must address several issues pertaining to the Department's proposal to eliminate NTIS. A major concern to NTIS employees is that the Department of Commerce's public statements are distorting NTIS' financial position and mission. This fact, combined with flaws in a private consulting firm's report (the Andersen Report) on NTIS' business model raise serious concerns about the "Extensive Review and Analysis" quoted in the Department's August 12, 1999, press release and fact sheet proposing to close NTIS.

The Department's press release and fact sheet predicted impending financial disaster for NTIS. NTIS employees familiar with the organization's recent financial situation through August 1999 believe otherwise. The Department and Andersen Report's projected NTIS financial losses do not ring true. Many NTIS employees suspect that the Department has relied too much on flawed and outdated analyses, and not on current financial data being reported by NTIS. Moreover, had NTIS employees been able to provide feedback to the Department prior to the August 12th closure announcement, we might not be sitting here today.

Despite the Department's dire predictions the facts are:

NTIS was solvent during FY99 and finished with revenue \$650,000 in excess of costs (see attached Table 1).

NTIS reduced its annual costs by 10% due to a successful employee outplacement program and office consolidation resulting in about \$700,000 in cost savings during FY99.

The Clearinghouse recovered all of its costs during August and September 1999.

Costs savings in FY2000 should total more than \$3,000,000.

Conservative projections anticipate NTIS further improving its financial status in FY2000.

Clearinghouse revenues increased in FY99 over FY98 (see attached Table 2). NTIS' financial position is clearly improving.

ANDERSEN CONSULTING REPORT

The bargaining unit welcomed the opportunity for an independent analysis of NTIS' business practices to improve future financial performance. Improving the long-term financial health of the organization would be in the best interest of NTIS and its employees. The results contained in the Andersen Report were published on November 25, 1998, under the title "Developing a Market-Driven Growth Strategy". The Andersen Report included some valuable assessments of NTIS capabilities. Nevertheless, the Report has a major flaw. Its Statement of Work did not adequately address NTIS' need to reduce its costs. This may be why the consultants placed more emphasis on an aggressive business strategy to grow NTIS out of its deficit, which the consultants projected to be \$3,000,000 in FY99.

The Report recommends a product development and marketing strategy requiring NTIS to generate \$25,000,000 through the distribution of 1,000,000 best seller products in order to break even. This recommendation came with an implementation price tag that could cost NTIS up to \$13,000,000. It's clear that the consulting team's inability to simultaneously address cost as well as revenue problems made rightsizing NTIS impossible (had that been their goal). Then too, the Andersen Report best seller growth strategy and legislative suggestions were summarily rejected by the Department of Commerce and the Department's Office of the Inspector General. This was due to inherent conflicts with NTIS' status as a government agency. While their strategies might be appropriate to a private sector corporation, they are contrary to NTIS' enabling legislation.

MISUSE OF THE ANDERSEN REPORT

From the employee's perspective, the main concern with the Andersen Report is that the Report's business strategies and financial projections are based on outdated information. NTIS' successful cost reduction effort made many of the Report's recommendations obsolete. Nevertheless, the Report continues to be used by the Department to justify closing NTIS. During the past several months NTIS has taken action to reduce its costs by about 10%. The Andersen Report's flawed growth strategy and projected NTIS financial losses are no longer relevant. They prove inconsequential when looking at NTIS' current financial health.

INSPECTOR GENERAL'S REPORT TO CONGRESS

The Department's August 12, 1999, announcement to close NTIS quotes the Inspector General's Office and a statement from its "March 1999 Commerce IG Semiannual Report to Congress" to support its decision. However, it is important to return to March 1999 to understand what was happening at NTIS at the time of the Inspector General Office's report. NTIS was showing a cumulative FY99 loss of \$416,447 through February 28,

1999. At that time, the Inspector General's Office (IG) was relying on the Andersen Report for direction on NTIS' near term financial status. The Andersen Report contained information which might cause any IG great concern. The most immediate concern to the IG may have been the Andersen Report's projection that NTIS would lose \$3,000,000 by the end of FY99, especially since the report was submitted to the Department less than four months earlier. Understandably, the IG could have been open to severe criticism if it had not raised concerns about NTIS' financial status in its March Report. It was the proper action for the IG to take at that particular time.

Unfortunately for NTIS and its employees, the results of the Andersen Report referenced by the IG could not have taken into consideration the significant changes taking place at NTIS since January 1999, when a new management team was installed and cost reductions instituted.

NTIS UNDER NEW MANAGEMENT

At the behest of the Department, the new NTIS Management Team was installed on January 4, 1999. Mr. Ron Lawson officially took the leadership position of Director of NTIS, while Mr. Alan Neuschatz became its Associate Director for Financial and Administrative Management. The team's first task was to put NTIS' financial house in order, while minimizing the impact on NTIS' ability to carryout its dissemination mission.

The plan attempted to provide the most favorable environment for NTIS' more than 300 employees to remain employed as part of the Federal workforce. As part of this process, the new team forged a close and successful partnership with the Union at NTIS, and all parties immediately put their shoulders to the wheel to reclaim NTIS' financial stability. This included a review of the overall NTIS cost structure. Changes were made to maximize the efficiency of the organization. Quick action produced swift results. The process began to trim costs from the budget. Office space was consolidated; travel was limited; and a hiring freeze was enacted. These actions alone achieved more than \$300,000 in savings in FY99. The Union commends the Inspector General's Office and Andersen Consulting for getting the Department's attention regarding NTIS' financial position. While the Andersen Report's best seller growth strategy is inappropriate for NTIS, the Department's actions resulting from the Report had the positive effect of reducing NTIS' costs.

LABOR COSTS

The next major hurdle was reducing NTIS' labor costs. Creative solutions were necessary to balance the organization's ability to generate revenue and provide quality service. Within just a few short years, NTIS has moved from being a provider of primarily paper products to a hybrid organization supporting both paper and electronic product dissemination. To their credit, the Union, NTIS Management, as well as the Department of Commerce developed an innovative program to outplace 61 employees from NTIS to

open positions within other Department of Commerce agencies. To date approximately 46 employees have been successfully relocated allowing NTIS to reduce its labor costs significantly. While the need for the outplacement program brought about an unsettling time for NTIS and its employees, the program offered displaced staff the opportunity to transition to open Department of Commerce positions matching their skills to vacant positions. The result was a win-win situation for all parties:

The Department filled its open positions with proven talent.

NTIS Management was able to reduce its costs.

The Union was able to protect the interests of NTIS employees.

Approximately 46 displaced employees secured positions within other Commerce agencies.

The Secretary of Commerce's Management Team was an active participant in this innovative program, and it should be commended for its overall success.

DEPARTMENT'S ATTEMPT TO ELIMINATE NTIS

In early August, the President of the Union at NTIS was informed about the Department's decision to close NTIS. This decision was made without any input from the Union representing NTIS employees. This is despite the fact the Union played a pivotal role in reducing NTIS' labor costs through the successful outplacement program.

More disheartening was the August press release from the Secretary's office that falsely depicted the organization as an anachronism not in touch with today's current technology. To the contrary, NTIS provides many state-of-the-art services in order to promote the public good. For example:

The annual fulfillment of more than 1,000,000 products in a variety of formats.

Electronic databases reaching millions more users than their print-based predecessors.

The NTIS Database containing over 2 million records that is updated weekly.

FedWorld technical expertise, including the FedWorld Web site, that has been publicly referred to as the 2nd most widely-used Government Web site.

Expertise and resources to assist government agencies with their information dissemination missions.

Strong partnerships with private sector organizations to leverage non-government resources.

DISBANDING NTIS FUNCTIONS AND THE POSSIBLE IMPACT

The Department's proposal to close NTIS and move its functions to other parts of the federal government would require significant annual appropriations. Then too, it could risk the loss of important capabilities that NTIS now carries out ultimately reducing public access to government information. Government agencies, as well as consumers of NTIS information products, depend upon NTIS for public dissemination of government information. The testimony to the United States House of Representatives Subcommittee on Technology on September 14, 1999, provided by the Honorable James H. Billington, the Librarian of Congress, addressed the need to continue NTIS' important information dissemination functions stating:

"Editorials and commentaries on NTIS' imminent demise seem to accept the conclusion that electronic access to, and agency-based rather than centralized dissemination of, scientific and technical information have rendered an NTIS-type operation obsolete. Librarians and business and academic researchers are not so likely to concur with this conclusion. In many ways, the growth of electronic access and automated databases have greatly expanded the demand for reference services that are integrated with document delivery, such as the services provided by NTIS, as well as those provided by the private sector information industry. The question of how optimally to meet those demands in a rapidly changing environment is squarely before this subcommittee.

As this Subcommittee explores the best way to proceed, I hope you will consider, by their component parts, the full spectrum of operations involved in collecting, organizing, and supplying scientific and technical information. NTIS provides or acquires a wide array of services, including publication, acquisition, indexing, abstracting, translation, digitization, distribution, and archiving of information from many sources and in several formats. NTIS not only provides centralized access to scientific and technical U.S. government information, but it also acquires these types of materials from non-governmental and foreign sources and provides reference and distribution services for these as well. These functions dovetail with activities carried out by the Commerce Department, the Library of Congress, and other federal agencies in assisting the nation's academic and commercial entities to capitalize on research and development of the United States and the world, and to push innovation to the next level. The fact that some of NTIS' functions apparently cannot be sustained on a cost-recovery basis does not necessarily mean that all or even most of its functions should be discontinued."

The Librarian of Congress' testimony also raised concerns about some of the important government information dissemination responsibilities performed by NTIS in relation to the Library of Congress' current mandate. The Librarian of Congress stated:

"However, such NTIS functions as high volume document distribution, brokering agency databases to the information industry, and publication (print or electronic) of information products of executive agencies, are beyond the Library's current mandate."

It is clear that the Department's proposal is not considering the many valuable functions that NTIS performs in its mission to disseminate government information. Eliminating NTIS could result in the loss of these important functions.

LONG TERM OPTIONS FOR NTIS

During the September 14, 1999, House of Representatives' hearing on NTIS, the Department of Commerce distributed a report entitled "The Department's Report on the National Technical Information Service (NTIS)". The Department's Report proposes three options regarding the long-term status of NTIS. The Union considers each to be flawed:

Option 1: Maintaining NTIS at Commerce and request annual appropriations to digitize the most recent ten years of its collection and to fund the Clearinghouse's "public good" functions. This first option suggests that NTIS requires an annual \$7.4 million appropriation to digitize the latest 10 years of its collection, and annual \$4.9 million appropriation to support the acquisition, organization, and preservation of the information products to be added to its collection. This simply is not true. NTIS more than covered its costs during FY99 and should be in a better financial position during FY2000 based upon conservative budget projections. While funds allowing NTIS to digitize its complete collection would make NTIS more cost-effective, it is not a necessity. NTIS will continue to digitize its older materials as it receives orders for these products.

Option 2: Maintain current NTIS operations while seeking annual appropriations to supplement revenues in the Clearinghouse while continuing to cut costs where possible. The second option projects a \$31.2 million NTIS loss through 2004. This is based upon the false assumption that NTIS Clearinghouse revenue is declining. NTIS Clearinghouse revenue actually increased during FY99 compared to the previous year. It also does not take into account NTIS' \$3,000,000 cost reduction effort. The fact is NTIS' Clearinghouse actually recovered all of its costs during August and September of 1999. NTIS does not anticipate any further losses.

Option 3: Obtain one-time appropriations to close NTIS and transfer its "public good" functions elsewhere. This option proposes to shut down NTIS and comes up with a \$15-17 million cost projection to accomplish this task. The union considers this estimate to be much too conservative. In addition, Option 3 does not consider the hidden costs that NTIS' closure could have as a result of discontinued functions NTIS now performs. However, the Department's Report did hint at a possible reduction in service by stating: "This estimate is based on an analysis of the Clearinghouse's current cost of performing different activities, some of which can be scaled back depending on the organization to which the collection is transferred."

THE UNION RECOMMENDS A FOURTH OPTION

In the best interest of the public good, including consumers of NTIS products and services, federal agencies who depend on NTIS to disseminate their products, as well as the U.S. taxpayer, the Union recommends the following alternative option:

Union Option: Permit NTIS to move forward with fully implementing its restructuring plan in support of its "public good" mission. While not suggested by the Department, this option would allow NTIS to proceed with its restructuring plan without an appropriation. NTIS' management team has already proven itself by rightsizing NTIS' cost burden, and bringing financial stability back to the organization. NTIS has regained control of its financial position, while eliminating an appropriations burden on the taxpayer. In light of the recent cost reduction measures, NTIS more than recovered its costs during FY99 and will be in a better financial position during FY2000 as \$3,000,000 in overall cost savings are realized. NTIS should be allowed to proceed with its restructuring strategy while completing its mandated mission as the nation's Clearinghouse for scientific and technical information.

Permitting NTIS to continue to serve the public good as a self-sustaining agency is significantly more cost-effective when compared to the Department Report's costly proposals:

<u>DEPARTMENT REPORT OPTIONS</u>	<u>COST THROUGH FY2004</u>
Option 1:	\$29 Million
Option 2:	\$31.2 Million
Option 3:	\$15-17 Million

ACCESS TO GOVERNMENT INFORMATION: FEE VS FREE

A major misconception within government today is that Web access to government-sponsored information sources is free. On one hand, the important government information dissemination efforts such as provided by the Library of Congress' THOMAS online service, the Government Printing Office's GPO Access, the National Library of Medicine's MEDLINE Database, and the Department of Energy's Information Bridge promote themselves as providing free access to government information. However, what is not mentioned is the fact this free access is paid for by millions of taxpayer dollars which go toward the development and support of these systems.

On the other hand, NTIS operates under a different model mandated by Congress where the agency maintains its specialized collection of the U.S. government's scientific and

technical information and disseminates its findings at no cost to the U.S. taxpayer. Instead, both domestic and international consumers of this information pay the nominal costs associated with supporting ongoing access to this collection. NTIS places an important emphasis on partnerships with the private sector to expand dissemination of its content and provide for ongoing technological innovation, again at no taxpayer expense. The final result is another win-win situation for U.S. citizens. They have the benefit of the ongoing availability of the items within the NTIS Clearinghouse and improved access to the NTIS Collection through technological innovation spurred by private-sector investment as opposed to taxpayer dollars. This is accomplished without the need for an appropriation from Congress. If NTIS were eliminated and all agencies were required to cover the additional burden of disseminating their government research information, additional taxpayer resources would be required.

WHERE DO WE GO FROM HERE?

NTIS' successful Union/Management partnership has helped NTIS to significantly reduce costs. However, now that NTIS' financial crisis has subsided, the outplacement program and other staff reductions from faster-than-expected attrition have left NTIS with 10-15 fewer employees than planned. This has resulted in NTIS having a shortage regarding the skill mix required to provide its full range of services to the public and other agencies, and to generate the necessary revenue. The Union recommends that NTIS have the opportunity to move forward with its restructuring plan. This would include the lifting of a hiring freeze now imposed upon the agency by the Department. These actions would support NTIS' ongoing use of technology to complete its public good mission, while further reducing costs. In addition, the Union urges Congress and the Executive Branch to complete a review of current government information resources (i.e., NTIS, the Government Printing Office, the Library of Congress, etc.) to develop an overall "information policy" which can best utilize these invaluable government assets.

