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## **EDS Announces Changes In Costly Deal With Navy**

ASSOCIATED PRESS

PLANO, Texas – Electronic Data Systems Corp. said Wednesday that the Navy has agreed to changes that will reduce the cost of building and operating a new communications network for the Navy and Marine Corps.

The \$8.8 billion contract has been a money loser for EDS, as upfront costs to install the network have far exceeded payments by the Navy.

The Navy will let the company shift some of its old network-based applications, such as server management, security, storage and hardware and software support to a new Web-based system. EDS spokesman Kevin Clarke said the change would save money by reducing the number of older, so-called legacy communications networks that EDS must support.

EDS expected to encounter a few thousand older legacy applications that would need to be upgraded to meet Navy security requirements in the new system. Instead, the company discovered nearly 100,000 such applications, adding to the cost and complexity of the job.

The Navy has reduced the number of legacy applications to about 30,000 – still far above its goal of 3,000.

EDS has been plagued by money-losing contracts, most notably the Navy deal, on which EDS has lost about \$1.6 billion. Last week, EDS chief financial officer Robert H. Swan declined to predict when the Navy deal will become profitable.

In trading Wednesday on the New York Stock Exchange, EDS shares rose 11 cents to \$17.56.