



STAFF REPORT INFORMATION ONLY

Update on the City of Toronto Telecommunications Infrastructure (COTTI) RFP and the Bell Canada Contract Extensions

Date:	December 16, 2008
To:	Government Management Committee
From:	Dave Wallace, Chief Information Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\I&T\gm09001I&T (AFS # 9147)

SUMMARY

The purpose of this report is to advise the Government Management Committee of the results of the City of Toronto Telecommunications Infrastructure (COTTI) contract extension negotiations with Bell Canada and to provide an update on the strategy and RFP for the City's future Telecommunications Infrastructure and transition to Voice over Internet Protocol (VoIP).

Financial Impact

There are no financial impacts as a result of this report.

DECISION HISTORY

At its meeting of December 11, 12, 13, 2007 City Council granted approval to extend the COTTI voice and data contracts with Bell Canada for an additional two years, from January 15, 2009 to January 14, 2011. A number of motions were approved by Council related to reporting back on the outcome of negotiations with Bell Canada and on providing an update on the transition to a new telecommunications infrastructure, including VoIP.

Report - Extension of City of Toronto Telecommunications Infrastructure (COTTI) Contracts

<http://www.toronto.ca/legdocs/mmis/2007/gm/bgrd/backgroundfile-8952.pdf>

At its meeting of July 15, 16, and 17, 2008 City Council granted approval for staff to finalize negotiations regarding a Memorandum of Understanding with Toronto Hydro Corporation and Toronto Hydro Telecom Inc. (THTI) and a Lit Fibre Data Services Agreement with THTI.

Agreement between Toronto Hydro Telecom Inc. and the City of Toronto for the Provision of Telecommunication Services.

<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-13886.pdf>

Supplementary report from the Deputy City Manager and Chief Financial Officer.

<http://www.toronto.ca/legdocs/mmis/2008/cc/bgrd/backgroundfile-14704.pdf>

ISSUE BACKGROUND

The City's telecommunications infrastructure consists of both voice and data networks.

Voice Network

The City's voice network is based on Centrex telephone services. The City owns the phone sets but all other equipment is owned and operated by Bell Canada. These services have been historically the subject of CRTC tariffs regarding rates, terms and conditions.

The City has undertaken a review of VoIP as a possible next generation telephony service and has concluded that this technology would assist with implementation of unified communications (e.g., Integration of voice mail and Email) that can have potential staff productivity and client service benefits. It also has potential to significantly reduce operating costs, although the amount of savings has yet to be determined. Upfront costs are required to ensure that robust and secure high speed data networks are in place and that buildings have adequate emergency power supply as the transmission of voice over data networks increases the dependency on electricity. Cost savings potential also depends upon whether the City owns and manages the VoIP equipment or out sources the service as is currently done with Centrex services.

Most municipalities have opted for a hybrid solution for their voice communications (i.e. a mix of VoIP and traditional telephone services such as Centrex), which recognizes that the cost to convert to VoIP is not cost-effective for the smaller distributed sites. In addition, some buildings may warrant a small number of Centrex lines to be maintained as a contingency in the event of a failure of the data network or electrical power. Staff believe a hybrid solution will be the best fit for the City of Toronto.

Data Network

The City's current data network consists of a relatively small amount of owned fibre assets, along with Wide Area Network (WAN) links which are leased from Bell Canada. These services consist of both high speed services for the City's primary sites and lower speed services for smaller sites. The City manages its data network, owning and operating equipment and infrastructure from the Bell termination points into City buildings.

The requirement for reliable high speed data networks is increasing, in order to accommodate the growth in number of computer users and business applications. In addition to VoIP (which routes voice traffic over the data network), the emergence of larger data files for graphics and ultimately video streaming is moving many organizations to increase the capacity of their data network.

COMMENTS

COTTI Contract Extension with Bell Canada

The approved contract extension with Bell Canada was required to allow the City to develop a comprehensive next generation RFP for the City of Toronto Telecommunications services, including VoIP and to allow time for transition for potential new vendors. Elements of the strategy and approach to this RFP are discussed later.

Staff have successfully negotiated and executed a two year extension agreement with Bell Canada. The contract team responsible for negotiations with Bell included staff from the I&T Division, Legal Services and external solicitors contracted by Legal Services, with specific telecommunications contract expertise.

Bell Canada appreciated the need to negotiate in good faith with the City and both parties agreed to a set of financial incentives and improvements in the basic terms of the agreement that provided flexibility to the City in light of the pending RFP. These incentives included cash rebates to the City at the end of each year of the extension depending upon how close the annual spending rates are maintained relative to the 2008 levels. In addition, the City will have the flexibility to cancel a substantial portion of both Centrex and data communications services without incurring financial penalties.

The opinion of the negotiating team, including that of the external telecommunications legal counsel, is that the agreement is as favourable as the City could expect.

Lit Fibre Data Services Contract Status

The Memorandum of Understanding with THTI has been transferred to the Cogeco Data Services (Cogeco) upon the sale of THTI to Cogeco. The City has been in contract negotiations with Cogeco to provide, as per Council approval, significantly upgraded

high speed Lit Fibre data services to a number of City locations where the cost of very high speed data services is justified. In addition, interest has been expressed by a number of City ABC's, including TTC, TPL and TPS to also take advantage of these services.

It is currently expected that a contract will be executed by March, 2009 with implementation to commence in the 2nd quarter and take approximately 2 years to complete.

The Council motion requesting review of the potential to use existing fibre capacity in the TTC subway tunnels for a significant portion of the City's high speed data communications needs was assessed as part of the planning for the Cogeco services agreement. It was not considered to be practical to pursue this as part of the City's data network. The TTC's operational needs for subway tunnel maintenance would be their priority and thus not allow assured levels of fibre service to meet the City's critical data communications needs. In addition, the Cogeco data network will cover all areas of the City and provide cost-effective and reliable fibre services.

New COTTI RFP Strategy and Status

The new COTTI RFP is expected to be released in January, 2009. It has been prepared by an internal team of voice and data communications technical experts, supplemented by an external industry telecommunications analyst with VoIP expertise. Staff consulted with several other Canadian municipalities who have recently issued telecommunications (including VoIP) RFP's. The document has been vetted by City Legal Services, PMMD, Gartner Group (international industry research firm) and a Fairness Monitor. The Fairness Monitor will continue to evaluate the procurement process through to contract award.

The approach to the RFP reflects the City's strategy for telecommunications. The RFP "unbundles" voice and data communications into four components, as follows:

- Carrier services - in effect, the residual Centrex services that will still be required after the hybrid transition to VoIP.
- VoIP services – the software, equipment and services to implement VoIP at the City. Various business models will be explored through the RFP.
- Low to mid-speed WAN data communications services.
- Network cabling services – to ensure all wiring and cabling requirements are met.

The purpose of unbundling these components is to provide the widest opportunity to the marketplace to offer the City competitive services and pricing. Proponents can potentially bid on and be successful for one or more of the service components.

Award of the new COTTI contracts is expected by mid-year 2009, with contract execution and implementation to commence late 2009. A duration of at least two years is expected to cut over all services to successful proponents.

CONTACT

John Davies, Executive Director
Technology Infrastructure Services
416-392-8494
jwdavies@toronto.ca

SIGNATURE

Dave Wallace, Chief Information Officer
Information & Technology Division