



**STAFF REPORT
ACTION REQUIRED**

Contract Award: Request For Proposal (RFP) 2104-09-3006 For Integrated Telecommunications Infrastructure

Date:	December 16, 2009
To:	Government Management Committee
From:	Chief Information Officer, Information & Technology Division Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:/2010/Internal Services/pmmd/GM10001pmmd (AFS #10513)

SUMMARY

The purpose of this report is to advise on the results of the Request for Proposal (RFP) 2104-09-3006 for the Integrated Telecommunications Infrastructure and request authority to enter into an agreement with Bell Canada in the amount not to exceed \$53,163,908 (net of GST and HST recoveries) for the provision of four (4) components of the City’s Integrated Telecommunications Infrastructure:

- a Unified Communications/Voice over Internet Protocol (VoIP) solution which consists of Internet Protocol (IP) telephony, IP phones, Unified Messaging, Call Centre Management services and other related equipment and services,
- Centrex and other Carrier services,
- Low-medium speed Wide Area Network (WAN) services; and,
- Network Cabling services.

These services are required to meet the City’s long-term voice and data communications needs, including a new integrated telecommunications infrastructure to support the transition of approximately 75% of the existing 22,500 Centrex lines to Unified Communications/VoIP.

RECOMMENDATIONS

The Chief Information Officer, Information & Technology Division, and Director, Purchasing and Materials Management Division recommend that the Government Management Committee:

1. grant authority to enter into an agreement in the amount not to exceed \$53,163,908 comprised of components listed below, (net of GST and HST recoveries) to Bell Canada having submitted the highest scoring and lowest cost proposal for the City's Integrated Telecommunications Infrastructure for five (5) years.
 - Unified Communications/VoIP – \$23,022,381
 - Centrex and related Carrier services - \$17,619,231
 - Low-medium speed WAN services - \$6,799,196
 - Network Cabling services - \$5,723,100

Financial Impact

Funding for the implementation charges associated with an agreement with Bell Canada are included in the Information & Technology Division's 2010 approved Capital Budget and 2011-2019 Capital Plan under Cost Centre CIT047-01-06 (ITI/VoIP Implementation). Annual charges associated with this agreement will be included in each City Division's respective 2010 Recommended Operating Budgets. Operating funding will be requested in each Division's budget submission every year through the contract period. The estimated annual upset cost net of GST and HST Recoveries (all dollars in 000's) is listed below.

	2010	2011	2012	2013	2014	2015	Total
Capital	3,264	3,763	4,128	0	0	0	11,155
Operating	580	12,008	8,945	6,825	6,825	6,825	42,008
Total	3,844	15,772	13,073	6,825	6,825	6,825	53,163

The Deputy City Manager and Chief Financial Officer have reviewed this report and agree with the financial impact information.

DECISION HISTORY

At its meeting of December 11, 12, 13, 2007 City Council granted approval to extend the existing City of Toronto Integrated Telecommunications Infrastructure (COTTI) voice and data contracts with Bell Canada for an additional two years, from January 15, 2009 to January 14, 2011. A motion was approved by Council requesting an update on the transition to VoIP.

<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) for a high-speed Lit Fibre Data Services Agreement.

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

An update on the new Integrated Telecommunications Infrastructure (ITI) RFP and the COTTI Bell Canada Contract Extensions were provided to the Government Management Committee at its meeting of January 14, 2009 by the Chief Information Officer, Information & Technology Division.

<http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-18162.pdf>

ISSUE BACKGROUND

In late 2007, the City with the assistance of an external technical consultant completed a review of the feasibility of Unified Communications/VoIP as a next generation telephony service. Key definitions:

- Unified Communications (UC) is the integration of communications services such as VoIP telephony, voicemail, email, fax, instant messaging, video conferencing and call centre software. UC is not a single product, but a set of products providing a consistent user interface across multiple devices and media types.
- VoIP is a set of transmission technologies for delivery of Voice Communications over Internet Protocol data networks rather than the public-switched telephone network (PSTN). This allows calls to be made using broadband Internet connection instead of a regular phone.

The review concluded that there was an opportunity for the City to reduce operating costs as well as the potential for improving staff productivity and client service benefits.

In December 2007, City Council approved a report extending the existing COTTI voice and data contracts an additional two years to January 14, 2011 to allow time for staff to complete the new and complex Integrated Telecommunications Infrastructure RFP. The contract authority resulting from this RFP will be in addition to the authority granted by Council for the COTTI extension.

In July 2008, City Council approved the Lit Fibre Services Memorandum of Understanding with Toronto Hydro Telecom Inc. (THTI) which was subsequently transferred to Cogeco Data Services upon the sale of THTI to Cogeco Inc. An agreement was concluded in 2009 with Cogeco to provide the City with high-speed WAN services to 230 primary City locations. The implementation of this high-speed fibre network is now underway and is expected to be completed by 2012.

COMMENTS

An RFP Project Team was assembled comprised of an internal group of voice and data communications technical experts along with external telecommunications consultants with specific VoIP expertise and an external Fairness Commissioner was retained via a separate RFP process to oversee the entire procurement process.

The RFP was designed to provide the telecommunications services marketplace the widest opportunity to offer the City competitive servicing and pricing in four (4) key component areas (bundles): Unified Communications, Carrier Services, Low-medium speed WAN Services, and Network Cabling Services. The RFP contained Confidential Information and potential proponents were required to sign a Non-Disclosure Agreement. Proponents were encouraged to submit proposals on one, some or all of the bundles.

On January 28, 2009, the Purchasing & Materials Management Division issued the Integrated Telecommunications Infrastructure RFP (No. 2104-09-3006) and was available for download from the City's Internet website. Twenty-nine (29) firms downloaded the RFP.

Twenty-two (22) firms attended the Proponent's Meeting. The City responded to more than 250 written questions and issued ten (10) Addenda prior to the closing date. Proponents had nearly three (3) months to prepare and submit their proposals for this initiative. This resulted in eight (8) submissions being received by the closing date of April 22, 2009 from the following firms:

- | | |
|------------------------------|------------------------------|
| 1.Aastra Telecom Inc. | 5. FlexITy Solutions Inc. |
| 2.Alcatel-Lucent Canada Inc. | 6. MTS Allstream Inc |
| 3.Bell Canada | 7.Quartet Services Inc |
| 4.Cogeco | 8. Rogers Communications Inc |

One Proponent submitted a Proposal for the WAN bundle only. This Proposal failed during the Stage 1 Evaluation of Mandatory Requirements, reducing the number of Proponents involved for all four (4) bundles of the RFP to seven (7).

Proposals for each bundle were evaluated independently by four evaluation teams in accordance with the RFP Evaluation and Selection Process.

Oversight of the entire procurement process, was provided by PPI Consulting and key staff from the City's Purchasing and Material Management Division. The entire process was carried out in a fair, open and transparent manner and an Attest Report (Attachment 1) to that effect has been provided by the Fairness Advisor .

The evaluation process for each RFP bundle is described below:

Unified Communications/VoIP

Six (6) Proponents submitted proposals for Unified Communications. After extensive evaluation, two (2) Proponents were short-listed. The remaining four (4) proponents did not achieve the minimum technical evaluation score.

The two (2) short-listed Proponents participated fully during the due diligence stage of the evaluation. Although both proponents achieved similar technical scores, the selection of the recommended proponent was determined by their lower cost proposal in accordance with the evaluation and selection process.

The implementation services requested include project planning and management of the supply, installation and commissioning of core infrastructure components such as VoIP computer servers, network gateways, software licences, IP phones and Analogue Terminal Adapters. The City will own this equipment, which will be installed in City facilities. User Training is also included in implementation services. Annual service charges will be for the vendor management of the Unified Communications/VoIP infrastructure to agree upon service levels and payment of all equipment and software maintenance costs.

Carrier Services

Two (2) Proponents submitted proposals for a number of Carrier Services which includes: Centrex; Individual Business lines; Directory Numbers; Toll; Public Switched Telephone Network (PSTN) Connectivity and related services. After extensive evaluation, only one (1) proponent achieved the minimum technical evaluation score. The results of the cost evaluation concluded that the winning bidder provided fixed pricing for these services at rates lower than the current City contract.

The number of Centrex lines and hence costs for Carrier Services will decline over time as VoIP phones replace Centrex lines. It is expected that Carrier Services will be required for the foreseeable future in a number of locations where it is not cost-effective to migrate to VoIP and for emergency back up telephone services in locations where VoIP is implemented.

WAN Services

Three (3) Proponents submitted proposals for WAN Services. After extensive evaluation, two (2) of the three proponents were short-listed. One (1) Proponent did not achieve the minimum technical evaluation score. Although both short-listed Proponents achieved similar technical scores, the selection of the recommended Proponent was determined by their lower cost proposal in accordance with the evaluation and selection process.

Approximately 480 low-medium speed circuits will be included in this contract.

Network Cabling Services

Two (2) Proponents submitted proposals for Network Cabling Services. After extensive evaluation, both proponents achieved similar technical scores. However, the selection of the recommended proponent was determined by their lower cost proposal in accordance with the evaluation and selection process.

Extension of Agreement to City's Agencies, Boards and Commissions

The terms of the RFP include the option for the City's Agencies, Boards and Commissions to enter into separate agreements with the successful proponent at the same pricing, terms and conditions.

Summary

Transitioning the City from Centrex services to Unified Communications/VoIP is expected to provide a range of financial, staff productivity and customer service benefits to the City.

On completion of the evaluation processes, the proposal submission from Bell Canada was ranked first with the highest overall point score and the lowest cost proposal for all four (4) service bundles.

The independent Fairness Advisor has issued a report confirming that this procurement was conducted in a fair, open and transparent manner.

The Fair Wage Office has reported that the recommended firm has indicated that it reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

In accordance with Council approved policy, proponents' scores, financial comparison and staff analysis of the evaluation results can be provided to Councillors in an in-camera presentation if requested by Committee members.

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Attachment 1: Fairness Consultant Attest Report