

14/11/2019

MEMORANDUM

TO: CHIEF EXECUTIVE OFFICER

FROM: INTERIM INFORMATION AND COMMUNICATIONS TECHNOLOGY MANAGER

RE: CONTRACT FOR TELECOMMUNICATIONS SERVICES

INTRODUCTION

This memorandum is to provide additional background and information to support the request to enter into the Contract for the Supply of Telecommunication services LGA Arrangement NPN 1.18 and to provide a level of confidence around the due diligence that has been performed to date.

BACKGROUND

In 2013, the now ICT Business Support Manager highlighted an opportunity to save money for Ipswich City Council on the telecommunication service offering, which was with Telstra, via Local Buy BUS238-0813. Being responsible for the budget preparation, a question was raised by the officer on the increasing costs, so an opportunity was given to review the detail and the contract. Through this process, a rationalisation was done on services across the organisation, which saw the expenditure for telecommunication services reduce by up to \$1million over 3 years. The 19/20 budget for Telecommunication expenses is only just back to what it was in 2013/14 prior to the rationalisations, with the increase due to additional services, BCP services, and Free Wifi at Orion Lagoon, Nth Ipswich and Robelle Domain.

Through this process, a detailed understanding of the service offerings, potential limitations, service level agreements and other key critical business factors, impacting business efficiencies were highlighted and understood more broadly by the business. A consultation with other Local Governments in QLD by the ICT Business Support Manager, provided an opportunity to collectively provide feedback to Local Buy on business requirements and expectations for future tender considerations or inclusions.

One of the savings realised by ICC through this process, was a review of a call forward charge that was costing up to \$8,000 / month (depending how many calls come into the Call Centre), due to how the call routing is done from the in dial numbers to the 1300 numbers. A provision has now been added to the new contract NPN 1.18 to include this fee waiver for all of QLD Local Govt that have a Telstra Call centre product, if they are using Telstra as their fixed line supplier, saving money for Local Government across QLD.

One of the other key factors that had been highlighted as an issue, was the need by Local Buy and Telstra to sign the Business Services Agreement (BSA), which would lock that pricing

in for a whole 3 year term at that rate, based on that agreement. Depending on where the agreement was up to in the 3 years cycle, current pricing was not always applicable.

In consultation with Local Buy, and raising concerns around technology changes, and potential price efficiencies that should be available over a 3 year term, this has been addressed in contract NPN 1.18. This contract was tendered in 2019, and awarded in June 2019, with both Telstra and Optus being successfully added to this arrangement.

The terms and conditions of the updated contract, include *any reduced pricing variations under the BSA as agreed between Local Buy and Telstra*. Optus have not provided the same level of detail to support these terms and conditions, however, they have also provided their worst case pricing matrix under this contract. Optus remain less flexible in their offering, particularly around mobile services. Prices are comparable, without the same level of SLA

BENEFITS OF A NEW AGREEMENT

There are a number of advantages to Council entering into the revised BSA with Telstra, under the new Local Buy agreement NPN1.18, including a projected cost reduction across Opex and Capex by ~ \$150,000/year. These include:

- Actual realised savings across the Mobile and Mobile data fleet (currently approx. 1000 services Council wide) – 10-15%
- Increased data allowance for mobile phone and data plans, supporting an increasing mobile workforce, without incurring excess data charges.
- Access to the Bluewater billing system included in the SIM cost per month. Currently Council uses the TIF allowance for this subscription. Bluewater platform is an expense management and reporting tool for mobile devices, providing reporting and transparency for Council resources. This is ~ \$60k/year benefit to ICC (Capex – as is an infrastructure fund).
- Increased data allowances across all data services, including NBN, with no associated increased cost.
- Increased data allowance for Telstra Internet Direct (TID) services with no increased cost.
- Additional Intra account call cost reductions, reducing call costs to and from Council services ie. – desk phone to mobile
- Allows Council to leverage additional innovative ICT technologies that are not available under the current contract.
- Enables Council to access updated Telstra pricing, which will be applicable for the whole 3 years of this agreement, without the need to renew again within a shortened timeframes.

Ongoing benefits also include:

- Strengthening the mutually beneficial partnership with Telstra which has enabled Council to progressively reduce its Telecommunication costs, while increasing Service volume and value to Council and Community.
- Continued best service coverage for mobile phones in the remoter areas of the municipality,
- Towers tested under disaster conditions with coverage considered to be adequate.
- Minimise business disruption, including business critical functions such as internet and GWIP services, and
- Leverage best in class industry leading technology.
- Wavering of all cancellation fees of upgrading from old pricing to new pricing.
- Ensures Ipswich City Council is more closely aligned with the timing of the latest prices offerings by Telstra. Updated BSA will become available July 2022. ICC agreement will be due to expire November 2022.
- ***NPN 1.18 has additional benefits not offered in previous contracts, that all updated pricing is to flow through within the contract term, and not wait for the new BSA to be signed to achieve savings.***
- ***Does not restrict Council to a sole supplier arrangement.***

OTHER OPTIONS CONSIDERED

- Continue with the current agreement and approach the market via an Open Tender Process. Disadvantages of this option would be :-
 - Reduced coverage in a regional area with other providers, including those that utilise Telstra infrastructure due to priority being given to Telstra customers;
 - Anticipated additional significant cost and investment for ICC to undertake a tender process and a potential transition process;
 - Potential additional management overhead if multiple vendors are selected across the different services;
 - Negating the benefits of the already negotiated LGAQ agreement, including price reductions applied where relevant over the term of the agreement;
 - Significant risk increase to ICC and potential cost increase and resource impacts, including potential cancellation fees on some existing Telstra services where applicable
- Stay on current agreement until September 2020. This will remove the immediate benefit realisation of transitioning to the current contract NPN 1.18.

CONCLUSION

Council will achieve greater value for money by entering into the Whole of Business Agreement with Telstra via Local Buy NPN 1.18 for the Supply of Telecommunication Services. Council will not incur any cancellation penalties and the additional service benefits can be realised immediately.

The Whole of Business agreement allows access to all of Telstra's service offerings, not just Telecommunications, with an Enterprise level of support and Business grade SLA's to support business critical functions and key service delivery.

Entering into this agreement Telstra, will not disqualify Optus from providing services for BCP requirements, if that is the preferred option, based on the requirement. ICC currently have BCP services with TPG, to remove single points of failure in business critical areas.

Due diligence to ensure value for money, service offerings and support, vendor management and delivery has been conducted.

Tony Welsh

**INTERIM INFORMATION AND COMMUNICATIONS MANAGEMENT AND SUPPORT
MANAGER**

I concur with the recommendation contained in this report.

Andrew Knight

CHIEF OPERATING OFFICER – CORPORATE SERVICES