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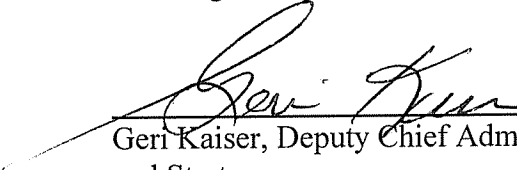
Halifax Regional Council
July 3, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services
and Strategy

DATE: June 22, 2007

SUBJECT: RFP 07-047 Cellular and Blackberry Services

ORIGIN

Request for Proposal # 07-047 was publicly advertised for the provision of cellular and Blackberry wireless data services for HRM.

RECOMMENDATION

It is recommended that:

Halifax Regional Council award RFP #07-047 to Aliant as the primary provider of cellular voice and data services to HRM, pending successful negotiation of the terms of a three year contract to include air time, hardware and related services at an estimated annual airtime and services cost of \$741,000 (excluding hardware) including the unrefundable portion of the HST.

BACKGROUND

Council and staff have come to rely on cell phones and Blackberries as important business tools. HRM's existing contract with Aliant for cellular services expired on March 31, 2007, and has been extended on a month-to-month basis pending successful negotiation of a new contract through an RFP process. Since Blackberry services were not widely used when the original contract was signed, these services were acquired through a tender process in May 2005 and are currently available through either the Rogers or Aliant wireless services.

DISCUSSION

RFP #07-047 was issued and closed April 12, 2007. The stated goals of the RFP were to lower overall operating costs to HRM and simplify administration of the cellular service, as well as consolidate service with a single vendor. Historical usage data for HRM phones was provided to all vendors electronically to assist in developing a rate plan tailored to HRM's needs. Vendors were also instructed to provide an option to decouple equipment costs from airtime charges, thus eliminating the airtime subsidization of cellular equipment and encouraging HRM cellular users to be environmentally conscious concerning the frequent replacement of fully functional devices. Vendors whose network technology is incompatible with HRM's existing carrier's equipment were asked to provide a migration strategy for compatible devices. Responses were received from Aliant, Rogers and Telus.

A mandatory requirement of the RFP was the ability to provide a fixed rate structure. The effect of this type of pricing is that HRM's cumulative consumption of airtime is the determining factor in contributing to overall costs, versus the number of sets in use - in effect a wholesaling of airtime. Although uncommon in Canada, this type of plan is offered in the US and within individual networks in Canada. The advantages of a flat rate plan are simplification of the payables process, reducing administrative costs over the long term, and providing greater transparency into HRM's overall consumption of cellular service.

The responses from Rogers and Telus did not meet the requirement for a fixed rate structure and were therefore rejected. The remaining technical proposal from Aliant was then reviewed by HRM staff and judged to be acceptable within the terms of the RFP. The evaluation criteria included: Support Processes, Monthly Flat Rate for Voice Service Cost, Monthly Flat Rate for Blackberry Data and Voice, Hardware Costs, Cellular Coverage, Value Added Features, and an Understanding of HRM's Requirements. Subsequently, the cost proposal from Aliant was assessed through a cost/benefit analysis based on a comparison of the current annualized costs vs. the proposed rate schedule (see Appendix A Comparison of Aliant RFP to Current Plan (Annualized)). Staff believe that the reduction in service cost in comparison with prior years, combined with the administrative savings that HRM will realize due to the simplification of the billing process and enhanced visibility, justify the selection of the Aliant proposal and will provide HRM with better value than would be gained by choosing a more conventional plan.

In addition to meeting the requirement of a “flat rate” plan for voice and for data, Aliant has also committed to maintaining our current hardware costs, guaranteeing a \$0.00 entry level phone, and a maximum cost of \$99.99 for an entry level PDA device for the duration of the contract. In response to our request to separate hardware from airtime commitments, hardware costs are based on a month to month contract, rather than the industry norm of a specific number of years. Given that employment and contractual conditions may cause HRM to discontinue the use of a specific phone or Blackberry at any time, this represents a significant reduction of risk, since under normal market conditions, a hardware contract would carry a significant penalty for early disconnection. This also allows for no penalties at the end of the contract.

Based on the last 12 months usage within HRM, estimated savings will provide a contribution of \$241,500 to the Information & Communication Technologies Reserve Q321 over the life of the contract.

BUDGET IMPLICATIONS

An increase in the monthly voice charge is more than offset by the elimination of airtime charges and a decrease in the monthly data charge for Blackberries. Annual savings as indicated in Appendix "A" could range from \$41,000 to \$135,700 depending on airtime usage history with an estimated average savings of \$80,500. Based on April 2007 usage annualized, savings would be about \$87,000. These figures are exclusive of HST

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

Council could direct staff to reissue the RFP without the requirement for a fixed rate structure. This alternative is not recommended as the existing Aliant proposal meets all of HRM’s requirements at significant savings over the existing cellular agreement.

ATTACHMENTS

Appendix A - Comparison of Aliant RFP to Current Plan (Annualized)

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Financial Approval by:



Catherine Sanderson, Senior Manager, Financial Services, 490-1562

Appendix A

Comparison of Aliant RFP to Current Plan (Annualized)

All figures are exclusive of HST

	Current	Proposed	Change
Based on most current month			
Airtime	\$450,694	\$0	-\$450,694
Unit Charges (Voice)	\$165,600	\$612,554	\$446,954
Unit Charges (Data)	\$187,200	\$103,980	-\$83,220
Annual Total :	\$803,494	\$716,534	-\$86,960
Based on last 12 months			
Airtime	\$444,233	\$0	-\$444,233
Unit Charges (Voice)	\$165,600	\$612,554	\$446,954
Unit Charges (Data)	\$187,200	\$103,980	-\$83,220
Annual Total :	\$797,033	\$716,534	-\$80,499
Based on highest month in last 12			
Airtime	\$499,463	\$0	-\$499,463
Unit Charges (Voice)	\$165,600	\$612,554	\$446,954
Unit Charges (Data)	\$187,200	\$103,980	-\$83,220
Annual Total :	\$852,263	\$716,534	-\$135,729
Based on lowest month in last 12			
Airtime	\$404,739	\$0	-\$404,739
Unit Charges (Voice)	\$165,600	\$612,554	\$446,954
Unit Charges (Data)	\$187,200	\$103,980	-\$83,220
Annual Total :	\$757,539	\$716,534	-\$41,005