

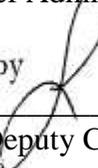
Item No. 11.1.2
Halifax Regional Council
March 26, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY: _____

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: March 14, 2013

SUBJECT: Award - RFP No. 11-057, Managed Print Services

ORIGIN

On August 10th, 2011 RFP No. 11-057 *Print Management Audit and Recommendations* was awarded to the highest scoring and lowest cost proponent, XEROX Canada. Section 3.2.4 of this RFP reserves the right for HRM to enter into a three to five year contract with the Proponent for the replacement of its current print solution and for the ongoing provision of a Managed Print Solution. Based on Xerox's proposal for a future state printing environment, the results of an internal pilot project, and the value of the resulting contract over the five year term, staff have brought this recommendation forward to Regional Council for approval.

LEGISLATIVE AUTHORITY

The recommended action complies with Charter Sections 79(1)(z) and 111(5). This action also complies with Administrative Order #35, Procurement Policy.

RECOMMENDATION

It is recommended that Halifax Regional Council award the implementation and management phase of RFP No. 11-057, *Print Management Audit and Recommendations*, to the highest scoring proponent, Xerox Canada for a total price of \$3,020,000 (net HST included) for a five year term, as outlined in the Financial Implications section of this report, subject to approval by the Minister Service Nova Scotia and Municipal Relations.

BACKGROUND

The Halifax Regional Municipality, like most large organizations, employs a variety of technologies related to production of paper documents and digital imaging. In the past, the ICT Department provided acquisition, installation, and support for network-based printers, while individual business units were responsible for fax machines, personal printers, and photocopiers. Due to the decentralized nature of the procurement, HRM now employs over 1200 such devices in offices throughout the municipality.

With the introduction of multi-function copiers which support network printing, faxing, and scanning capabilities, a more coordinated approach to the specification and acquisition of these devices is required to ensure compatibility with HRM systems. There is also a clear opportunity for HRM to reduce the number of devices in use, and establish a more efficient and cost effective procurement and support model.

Recognizing that HRM business units have different needs of their imaging environment, the ICT Department sought the services of industry experts to analyze the municipality's current printing and imaging usage and processes, and propose an optimized future state. To allow for both device manufacturers as well as other consulting firms to submit proposals, a request for proposal was structured in two parts: an initial assessment, and an option to move forward with a managed print services contract should such a vendor be the successful proponent.

Managed Print Services (MPS) is a method of managing printers, copiers, multi-function devices, and fax machines in a unified manner. While this can be done with internal resources, it is usually associated with outsourcing the fleet to an external vendor, and consists of the following components:

- Provision of hardware devices, software solutions, integration and deployment services;
- Provision of management information through usage reporting and consolidated billing;
- Proactive maintenance of the equipment;
- Provision of consumables and repair services; and
- On-going optimization throughout the life of the contract.

DISCUSSION

RFP 11-057 *Print Management Audit and Recommendations* was publicly advertised on May 11, 2011, closed on June 10, 2011 and was awarded on August 10th, 2011 to the highest scoring proponent, Xerox Canada in the amount of \$23,464 (net HST included).

As well as calling for a current state evaluation, and a non-vendor-specific proposal for a future state environment, the RFP included the provision that, dependent on the results and recommendations of the audit, HRM reserves the right to enter into a three to five year contract with the successful proponent for the supply of a managed print solution. The five year time frame as mentioned in the RFP and in this recommendation reflects the normal life expectancy of a multi-function digital printing fleet.

Xerox's approach to determining HRM's current state included a physical inventory of approximately 60% of devices in use, software monitoring of staff computers to measure print consumption, review of historical page counts for copiers and fax, and extensive evaluation of print related financial data. Their proposal recommends replacement of approximately 1200 devices of various configurations with 205 multi-function devices. Xerox's conservative estimate of organizational savings is \$974,000 over a five year term (see appendix A).

Based on the thoroughness of Xerox's assessment, staff engaged Xerox on a pilot project to confirm the results. Four devices were installed in Duke Tower, and 84 staff participated in the pilot, which saw the removal of all "dedicated" printers, as well as existing copiers and fax machines. Software was implemented to require a proximity card (the HRM employee ID) to receive printed jobs at the device, and identify the user. The Xerox systems were integrated into the HRM network infrastructure to support scanning to network storage as well as to email attachments. Color printing was widely available to the pilot group, and duplex (two-sided) printing was established as the default. Xerox's training, support, and maintenance approach were also evaluated. A user survey was conducted at the end of eight weeks.

Key findings of the pilot included the following:

- Approximately 81% of print jobs were completed using duplex printing, resulting in savings of 17,700 pages of paper for one month of the pilot group's usage. It is estimated the actual compliance in a managed print environment would be higher as a result of lessons learned from the pilot.
- Color printing for the same month resulted in 2,326 pages, or 10.6% of the total print output. Based on actual costs of the consumables used previously in the pilot area compared to the Xerox color rate, a savings of 64% was achieved over the previous printing solution.
- Survey results on user satisfaction indicated 88% of the pilot group rated the new service 8/10 or higher.
- Usage of the fax capabilities was exceptionally low. Five fax machines were taken out of service during the pilot, including disconnection of their associated telephone lines. Total savings on telephone charges for the pilot group would be \$816 annually – extrapolated over a full deployment it is expected that similar results would be achieved throughout HRM.
- New capability of scanning to file or email were very well received by staff. It has been reported that this has taken the place of copying incoming paper documents for review purposes (invoice approval, contract review, etc.)
- The enhanced security of requiring a HRM ID card to access printed output has removed the requirement for dedicated printers in sensitive areas. Risk of confidential information being mistakenly accessed from shared printers has been effectively eliminated.

Concurrent with the pilot, staff confirmed Xerox's assessment of the positive financial impact of proceeding with a managed print services contract through an independent internal review of current copier leases, hardware purchases, and a review of consumables. While a full costing of HRM's current state costs is complicated by inclusion of consumables in general office supply

accounts, staff are confident that HRM can easily meet or exceed the organizational savings indicated through the Xerox analysis, while providing additional functionality not currently available. Some examples of current HRM annual costs related to printing include:

- Toner and ink (estimated at 15% of 2011 office supply costs) - \$49,500
- Electrical costs for additional 1000 devices no longer required - \$43,300
- Savings from printing repairs (2011 actuals) - \$27,800
- Elimination of existing copier leases - \$150,000
- Internal labor savings (support costs) - \$25,000 - \$75,000

In summer 2012, HRM had the opportunity to participate with the Province in a spending analysis, conducted by Deloitte & Touche. One of the spending categories they examined was printing and imaging, and their recommendation mirrored the approach HRM had been pursuing: reducing the number of devices, replacing with multi-function devices, standardization of devices, and implementing double-sided printing (see appendix B). The Province of Nova Scotia has subsequently issued and awarded an RFP for managed print services to Xerox Canada, and staff have reviewed the terms of the Provincial agreement to ensure the most beneficial terms for HRM. While HRM may participate under the umbrella of the Provincial agreement with Xerox, a separate contract between HRM and Xerox is still a requirement. Based on the per-impression cost comparison, differences in the minimum monthly impressions required, and additional software and services HRM desires in its solution, an agreement reflecting HRM's specific business needs is the most beneficial to the municipality. Staff have confirmed with Xerox that where the Provincial rates are more beneficial based on volume those rates would apply on a device by device basis. Halifax Water and Halifax Regional Library have also indicated that they intend to proceed with a similar arrangement with Xerox.

Beyond providing a cost effective replacement of HRM's print infrastructure and transition to a service provider approach for maintenance, there are additional benefits to HRM once the organization has migrated to the Xerox solution. Workflow improvements can be made in areas where paper documents are currently exchanged between staff, reducing dependence on internal mail. Copies of paper records can easily be transmitted both internally, and to the public through the scan to email functions. There is also substantial interest in further enhancing HRM's ability to provide electronic disclosure of paper documents for legal proceedings, and the solution fully supports input to a document management system. A key management benefit is the ability to report on overall as well as individual printing consumption, make informed decisions to influence user behavior, and redirect print jobs to the lowest cost or most appropriate output device.

While not primarily a "green" initiative, there are significant environmental benefits to the proposed solution. Based on Xerox estimates of HRM's current state vs. optimized state when fully implemented, HRM should see a 65% energy reduction (including operating power and production costs), a 66% reduction in solid waste produced, and a 65% reduction in greenhouse gas emissions. The contract also requires Xerox to dispose of existing surplus equipment following sustainable best practices for recycling electronics.

FINANCIAL IMPLICATIONS

Fiscal Year	Costs
2013-14	\$604,000
2014-15	\$604,000
2015-16	\$604,000
2016-17	\$604,000
2017-18	\$604,000
Total	\$3,020,000 (net HST included)

The costs for the managed print solution are composed of both a fixed and variable component. The monthly charge for fixed costs of the devices, software, and ongoing management and recapitalization will increase to reflect the actual devices in use during the implementation period, expected to take six months, and will be \$363,000 (including net HST) annually once the 205 new Xerox devices are fully deployed.

Variable costs are based on usage, on a per page basis, and include all toner and consumables except paper. Based on Xerox’s original future state estimate and the results of the pilot, it is expected that variable costs will be \$241,000 (including net HST) annually once fully deployed.

Awarding RFP No. 11-057 to Xerox Canada, for a term not to exceed five years, will cost \$3,020,000 (including net HST) over the life of the contract. The funds for Managed Print Services are included centrally in the ICT Corporate Services Operating Account.

ENVIRONMENTAL IMPLICATIONS

Articulated in the discussion section of this report.

ALTERNATIVES

1. Council could direct staff to issue a new RFP for the Managed Print Services work. This alternative is not recommended as HRM would lose the benefit of both the pilot project which confirmed the workability of the solution, and the lengthy analysis of HRM’s usage. If this alternative were selected the financial benefits of the solution would be delayed.
2. Council could direct staff to continue providing these services through traditional single purposes devices without a managed services agreement. This alternative is not recommended as it would eliminate the financial, environmental, and service improvement benefits of the managed print solution.

ATTACHMENTS

Appendix A – Summary of Xerox Savings Analysis

Appendix B - Spending Analysis Recommendation – Deloitte & Touche

\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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Greg Keefe, Director Finance and ICT/CFO, (490-6308)

Appendix A – Summary of Xerox Savings Analysis

HRM Current State - Cost Calculation (Monthly)

	Xerox Sample	Extrapolation to all of HRM
Number of Knowledge Workers	1236	2000
Device Count	587	952
Monthly Print Volume	738000	1304000
Current State cost per page*	\$0.0494	\$0.0494
Total Monthly	\$36,450.00	\$64,400.00
Total Annual	\$437,400.00	\$772,800.00

*Current state cost per page excludes paper, service desk calls, and invoice processing

HRM Future State - Cost Comparison (Annual)

HRM Current State	\$772,800.00
Xerox cost (optimized)	\$578,000.00
Savings over current state	\$194,800.00
Five Year Savings	\$974,000.00

* All figures are exclusive of net HST

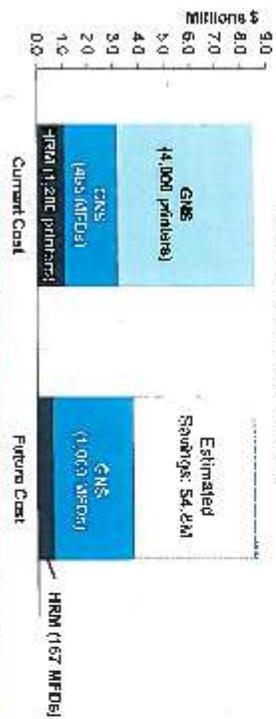
Future state cost per page including software costs is \$0.037 (25% reduction)

Appendix B

There is widespread use of desktop printers resulting in high spend on printing costs across GNS and HRM; an opportunity exists to use a fully serviced standard multi-function device (MFD) solution

Category Specific Opportunities

Replace Printers with Fully Serviced Fleet



	Current State	Future State	Notes
Total costs of all MFDs	7.7M	6.5M	Represents a 16% reduction in pages printed as a result of eliminating desktop printers and implementing controls which eliminate wasted print jobs
Supplies - Per Person - Month	551	403	HRM estimates current print in colour at 8.4%
Overall Print Efficiency	2.5 : 1	2.2 : 1	Depending on office space arrangements, ratio can be as high as 2.5 : 1

Current Cost Assumptions (based on current performance):

- Desktop printer, base & white = \$100
- Desktop printer, color = \$300
- MFD, base & white = \$2,000
- MFD, colour = \$2,100

Source: GNS Xerox data, GNS estimates, HRM estimates, March 2011. Data updated based on published based on assumptions and validated with Xerox VLMs, additional print supplies spent on PC and

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- Current estimated spend on print & copy services, devices, paper, and ink/toner exceeds \$8M across GNS and HRM and \$1.3M across all entities
- Desktop printers are rampant with an estimated 1,200 in HRM and 4,000 in GNS
 - There is no standardization of printers or control over the purchasing of devices or components
- Eliminate all existing printers, copiers and fax machines, and reduce ratio of printers to users
- Issue an RFP for MFDs across entities (specifically leverage GNS and HRM volumes together) to use a single supplier for a fully serviced fleet of standard multi-function devices
 - **Savings Opportunity: \$3.5M - \$6.1M**
 - **HRM savings portion of opportunity: \$0.4M**
- The total number of devices across GNS and HRM can be reduced by almost 80%, and service quality will increase with fully-serviced devices.
- As part of the overall print & copy initiative, additional steps should be taken to reduce costs
 - Make double-sided printing default, consistent with sustainability policy
 - Minimize colour printing
 - "Follow-me" printing will ensure safeguarding of confidential information