

Item No. 10.1.2
Halifax Regional Council
June 18, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by

SUBMITTED BY:

Mike Labrecque, Acting Chief Administrative Officer

Original Signed by Director

Greg Keefe, Director of Finance and ICT/CFO

DATE: June 4, 2013

SUBJECT: Award - RFP No. 13-025, Mobile Device, Voice and Data Services

ORIGIN

The expiry of HRM's various contracts for Mobile Voice and Data Services, and the Municipal Auditor General's recommendation from his *Wireless Communications Review* of April 2011.

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79, Regional Council may expend money for municipal purposes. Administrative Order #35, the Procurement Policy, requires Council to approve the award of contracts for sole sources exceeding \$50,000 or \$500,000 for Tenders and RFP's. The following report conforms to the above Policy and Charter

RECOMMENDATION

1. It is recommended that Halifax Regional Council award RFP #13-025, *Mobile Device, Voice, and Data Services* to the highest scoring and lowest cost proponent, Telus, for an estimated cost of \$3,299,000 (net HST included) over a five year term as outlined in the Financial Implications section of this report, subject to the negotiation of a contract agreeable to both parties and approval of the Minister Service Nova Scotia and Municipal Relations.
2. It is recommended that Halifax Regional Council endorse directing savings realized through this RFP toward producing \$100,000 surplus in operating account A421, and reinvesting the balance to provide enhanced data volume and communications options in support of municipal service delivery, as outlined in the discussion section of this report.

BACKGROUND

Over the past five years, HRM has contracted for voice and data services under three separate agreements, one for end user cellular and data devices, one for Metro Transit vehicle location data, and a third for data communications to Halifax Regional Police Vehicles. Request for Proposal #13-025 sought to combine these three agreements under a single contract providing HRM with an efficient and cost effective contract for mobility services and devices, with predictability of costs and simplicity of administration.

HRM has recognized and is embracing the shift to a more mobile and connected worker. The capacity, speed, and coverage of new wireless networks are ready to enable previously unachievable mobile applications. To obtain the best value from new wireless technology, HRM requires a mobility partner who will help transform its business use of mobile devices from a culture of conservation to one of exploration and adoption of new capabilities to meet current and future business needs.

HRM's legacy in-vehicle data solutions are turning obsolete. A reinvestment in the communications technology for both HRP and Metro Transit will provide additional mobile services and ultimately improve service to the public. Use of a common hardware platform amongst all such equipped vehicles in the HRM fleet will reduce support cost and complexity, as well as reducing spares requirements. In particular, a robust high capacity data capability will enable future Metro Transit technology projects such as stop enunciation, electronic fare box, and automated vehicle location system replacement.

DISCUSSION

RFP 13-025 *Mobile Device, Voice, and Data Services* was publicly advertised on March 11, 2013 and closed on April 4th, 2013. Three proposals were received as follows:

- Bell
- Telus
- Rogers.

The technical proposals were evaluated by staff from Halifax Fire, ICT, Halifax Regional Police, Halifax Water and Finance and facilitated by Procurement using the criteria listed in Appendix A to this report. A minimum score of 80% (56 / 70) on the technical evaluation was required prior to opening the cost proposals. The Rogers proposal did not meet the minimum requirement and their cost proposal will be returned unopened.

Upon opening the cost proposals, it was discovered that the proposals offered diverse future state options. In order to provide a supportable like to like analysis of the Bell and Telus cost proposals, costs were evaluated based on HRM's actual usage under its current state, considering complete equipment replacement under each plan over a period of 3 years.

Including consideration of the cost proposals as described above the final evaluation is as follows:

Telus	99
Bell	80

Telus's plan for end user devices (cellular phones, smart phones, and internet devices) includes the following features:

- A pooled plan with each device contributing 250 minutes per month to the pool
- Free calling not impacting HRM minute pool for:
 - Unlimited nights and weekends after 6pm
 - Unlimited incoming calls
 - Unlimited calling between HRM users
- Unlimited texting within Canada
- Free long distance within Nova Scotia
- Excess minutes above pool limits billed at \$.05 per minute
- Canadian long distance billed at \$.05 per minute
- Pooled data plan at 500mb per device

An analysis of the past 12 month's usage indicates that the Telus pool amounts are sufficient to meet HRM's needs. The analysis shows monthly voice consumption ranging between 80% and 94% of the proposed pool allocation. These percentages would decrease under the proposed Telus plan once the inbound free calling is factored in (there is no historical data to determine number of inbound minutes consumed). For the data devices, historical data indicates usage of between 17% and 24% of the proposed pool allocation.

Usage trends for voice have been trending slightly downward for the last several years, while data usage is trending upward. While it appears that for the vast majority of HRM device users the Telus pooled plan is the most cost effective, Telus has also provided an option for an unlimited voice and data plan. It is expected approximately 10% of HRM devices would benefit from the unlimited plan, and in some cases this plan would result in savings of hundreds of dollars per month per device. These devices will be identified during transition planning, and an ongoing monthly review of consumption will determine which devices warrant placement in the unlimited plan. The terms of the agreement allow for such changes on a month by month basis throughout the term, including reverting to the less costly pooled plan when consumption is reduced.

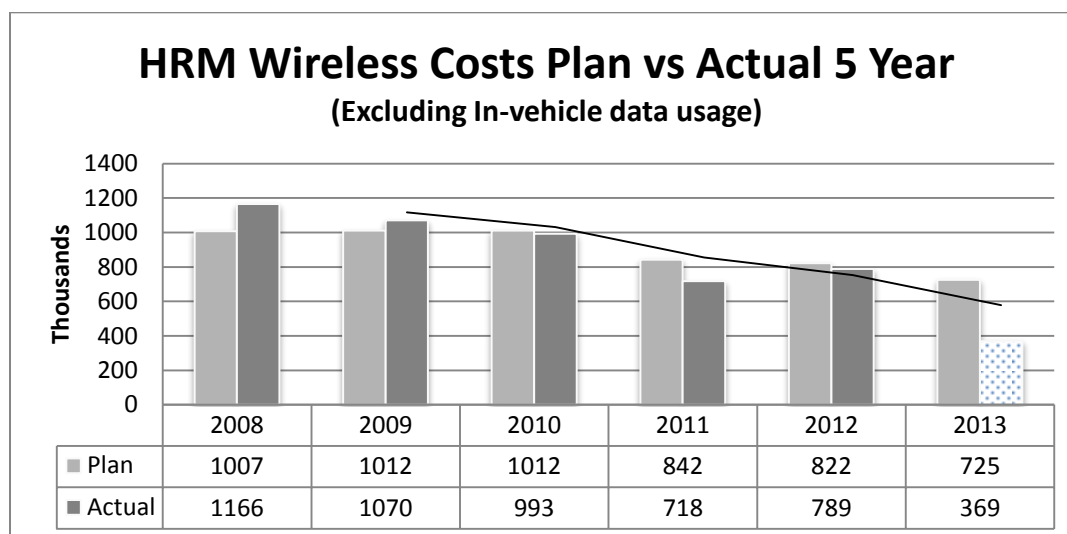
Since 2007, HRM has been purchasing handsets outright as required, allowing the carrier to offer a deeply discounted rate due to the lack of hardware subsidization in the business model. This has worked to HRM's advantage both financially through a reduced rate, and environmentally as most devices are replaced on a less frequent basis. Telus has indicated that most of HRM's existing devices can be "unlocked" to function on their service; however a number of older devices will need to be replaced during the transition. Telus has provided a selection of end user devices including voice only phones, smart phones from BlackBerry, Apple, and Samsung, as well as internet access devices. They have provided HRM a fixed dollar discount off of retail price for devices, and a percentage discount off accessories. Fulfillment will be provided through several of their retail locations throughout HRM.

HRM currently owns all hardware components installed in its vehicles for provision of data services. This equipment is quickly approaching obsolescence and no longer meets HRM's needs, resulting in replacement modems required in approximately 423 vehicles. Since the cost for these replacements is likely to exceed \$400,000, HRM specifically requested in the RFP a subsidization or lease model for the in-vehicle equipment to avoid the large capital cost.

Telus proposed two plans for in-vehicle solutions: a pooled data plan and a metered pay per use plan. Both plans include an option to finance the modem, installation, and antenna costs over a three or five year term. The in-vehicle units will be paid for through a monthly charge over a three year period, and their life expectancy is 4-5 years.

Given the potential cost savings (outlined in the Financial Implications section of this report), HRM is presented with an opportunity to further enhance the capability and availability of wireless data services. While cost reduction is a goal of the HRM Wireless Program, a number of factors will impact future costs, including:

- **New Devices** – The majority of HRM's smartphones are BlackBerry devices (previous generation) which typically consume small amounts of data on a monthly basis. Based on data usage trends amongst a pilot group using more modern smartphones and tablets, it is expected that as HRM deploys these devices, data consumption will increase substantially over time.
- **New Applications** – HRM Business Units are evaluating opportunities to streamline processes and improve service delivery through the use of mobile applications. Enhanced communications, off-site data entry, and use of location services (GPS) capabilities will change the way we do business. It is expected that the result will be a higher percentage of user devices transitioning to Smart Phones or tablets, with associated higher costs for data services.
- **Enhanced In-vehicle capability** – Implementation of the Transit Technology Roadmap will require additional data capacity to ensure success and improve services to the public. Halifax Regional Police are also evolving the use of in-vehicle computing to provide better and timelier information both to and from the vehicle. It is expected that in-vehicle data will be the greatest area of increased consumption over the term of this agreement.



* 2013 Actual reflects anticipated cost at Telus Pooled Plan rates based on historical usage without growth.

From 2008 to 2012, HRM’s end user wireless costs have decreased by 32%. Given the uncertainty of the new applications, services, and usage patterns, as well as transition costs for device replacement and delay in realizing the new rates during transition, staff are recommending maintaining the existing budget allocation for these services, and work toward producing a surplus in 2013-14. It is estimated a surplus of \$100,000 can be achieved this fiscal year from this transition for end user devices, while in-vehicle savings are likely to be negligible in the first year.

In his *Wireless Communications Review* of April 2011, the Municipal Auditor General recommended “4.5.3 HRM should consider negotiating a standard rate for DCDs (data only devices).” This agreement addresses this recommendation, and completes the staff response to the review.

Halifax Water was a named partner in this RFP and will be entering into a substantially similar agreement with the successful proponent.

FINANCIAL IMPLICATIONS

Currently HRM allocates funds for these services from various operating cost centers, totaling \$982,000 annually. The budget allocation for wireless services in the 2013-14 FY is as follows:

- A421-6201 Telephone (ICT Operations) \$725,000
- R640-6732 Mobile Data (Metro Transit) \$197,000
- N721-6732 Mobile Data (HRP) \$60,000

The following assumptions have been made in estimating the future-state costs under this agreement:

- End User Voice and Data
 - 2013-14 costs based on 2012 voice and data usage for 951 cell phones, 603 Smart

Phones, and 77 Air cards, with an implementation date of 1 July 2013. 20% of devices will be upgraded during transition to new carrier.

- 10% of users will be on the Telus Unlimited Plan
- 10% usage growth annually based on consumption and net new devices
- Metro Transit and HRP Data
 - Based on 330 Transit and 93 HRP vehicles. 2013-14 costs based on 2012 actual data usage and 9 months in-service.
 - 2014-15 data usage 10x increase due to new services, 20% annual increase thereafter.
 - 2016-17 and 2017-18 totals reflect reduction due to end of financing period for in-vehicle equipment.

	Year 1	Year 2	Year 3	Year 4	Year 5	5 yr Total
End User Voice / Data	\$369,000	\$406,000	\$447,000	\$491,000	\$540,000	\$2,253,000
End user upgrades	\$102,000					\$ 102,000
Metro Transit Data	\$169,000	\$178,000	\$180,000	\$114,000	\$48,500	\$ 689,500
HRP Data	\$ 49,000	\$ 60,000	\$ 63,000	\$ 48,500	\$34,000	\$ 254,500
Total (FY)	\$689,000	\$644,000	\$690,000	\$653,500	\$622,500	\$3,299,000

The expected savings over the term of this agreement based on 2013-14 cumulative budget of \$982,000 is \$1,611,000.

ENVIRONMENTAL IMPLICATIONS

Articulated in the discussion section of this report.

ALTERNATIVES

Council could direct staff to maximize the financial savings potential of the new wireless agreement through continued restraint in usage and reduction of the number of devices in service. This alternative is not recommended as it negates the future efficiencies and service delivery improvements available by enhancing mobility features and availability.

ATTACHMENTS

Appendix A – Evaluation Criteria and Scoring

**RFP No. 13-025, Mobile Device, Voice, - 7 -
and Data Services
Council Report**

June 18, 2013

Report Prepared by: David Muisse, Manager ICT Operations 490-6555

Report Approved by: _____
Donna Davis, Chief Information Officer, 490-4417

Procurement Review: _____
Anne Feist, Manager, Procurement 490-4200

Report Approved by: _____
Greg Keefe, Director Finance and Information Technology, 490-6308

Appendix A
Evaluation Criteria

Criteria	Summary (considerations may include but are not limited to the following)	Score	Bell	Telus
Communication Skills	Clarity and readability of written proposal	5	3	5
Team composition and experience	Sector specific experience of the Proponent Firm Experience of individual team members with projects of similar scope and size Team members' appropriate skills and education Demonstrated history of proposed team in successfully completing projects of a similar nature on time and on budget Balance of level of effort vs. team roles (project mgmt., technical, etc..)	15	15	14
Understanding of HRM needs	Understanding of the requirements of the scope of work and HRM organizational structure Acceptable proposed schedule and work plan Value added propositions and recommendations Attention to relevant challenges that the committee has not considered	20	16	20
Technical Solution	Solution addresses all technical aspects of the project as identified in the RFP Solution draws on proven methodology Solution is flexible and scalable Solution is cost and time effective	25	25	25
Project Management Methodology	Management structure within Proponents organization/project team Proposed communication methods between proponent team and HRM Quality Assurance standards and practices	5	3	5
Subtotal (Technical Proposal)			62	69
Cost		30	18	30
Administrative and Legal Requirements	Based on level of risk identified in Stage 2 technical evaluation.	0		
		100	80 (\$2,966,383.90 incl. net HST)	99 (\$2,096,776.40 incl. net HST)

**Costs were evaluated based on HRM's current state, considering complete equipment replacement under each plan over a period of 3 years.