

METROPOLITAN BOROUGH OF WIRRAL

CABINET

5 DECEMBER 2002

REPORT OF THE DIRECTOR OF FINANCE

CONTRACT FOR THE CARRIAGE OF OUTGOING TELEPHONE CALLS

1. EXECUTIVE SUMMARY

- 1.1. Following deregulation of the telecommunications market a number of companies established themselves in competition with British Telecom for the carriage of telephone traffic. Following investigation, and production of a service specification, an invitation to tender for the provision of these services was published in the European Journal. This report outlines the responses received and seeks authority to award the contract to British Telecom for a period of two years.

2. BACKGROUND

- 2.1. Taking into account all Council establishments, including schools, the total annual expenditure on outgoing telephone calls is in excess of £0.6M. An initial evaluation of the telecommunications market indicated that some financial savings could be made by tendering for the carriage of these telephone calls. The findings of the evaluation were confirmed by District Audit, in their review of Council telecommunications services, and included in their recommendations for service improvement.
- 2.2. Following production of a detailed service specification by the telecoms team, an invitation to tender for the carriage of outgoing telephone calls was published in the European Journal via the Wirral and North Wales Purchasing Organisation. Response was poor, with only four companies submitting tenders, namely, British Telecom, Excell Network Solutions Ltd., Opal Telecom and Evoxus.

3. TENDER EVALUATION

- 3.1 With the exception of British Telecom, who offered direct services, all the prospective suppliers offered a "Carrier Pre-select Service" (CPS) utilising several alternative telecoms carriers, including WorldCom, Energis and Cable & Wireless. To enable this service the Council is required to submit registration forms for all telephone lines to the supplier, who will arrange with BT to reprogram the local telephone exchanges. Once reprogrammed the exchanges will identify and route all outgoing telephone calls from Council premises over the alternative carriers network. The process is transparent to users, uses existing telephone lines and does not require numbers to be changed.
- 3.2 The major disadvantage with the CPS service is that, in the event of the alternative carrier ceasing to trade, or suffering a network failure, the Council would lose most of its outgoing telephone services. It is possible to revert back to the BT network on a call by call basis by manually inputting an access code prior to making a telephone call, but this is cumbersome and requires staff to be aware of the process and remember the access code. Permanent regression to BT would require forms to be once again submitted for each line, and the local exchanges reprogrammed. This process takes about ten working days during which time disruption to service will be experienced.

- 3.3 Implementation of a CPS service will also result in the number of invoices being received for telecoms services almost doubling. This is because invoices would be raised by BT for the provision of telephone lines and by the alternative carrier for the carriage of the outgoing telephone calls, the result being an increase in the workload of departmental administrative staff.
- 3.4 During the tender evaluation process Internal Audit were asked to carry out a financial assessment of the prospective suppliers. Both Opal and Evoxus were not considered financially sound, and not suitable for a contract of this value. It also became apparent during evaluation that a number of large telecoms carriers were experiencing severe financial difficulties. These included both WorldCom and Energis, which were the carriers proposed by Excell Network Solutions Ltd. Awarding the contract to Excell would place the Council at increased risk from a loss of telecoms services and is not recommended.
- 3.5 The BT proposal requires the Council to commit to an annual expenditure of £0.4M on outgoing telephone calls. In return BT will reduce the per unit cost of calls which will result in an annual saving of £100,000. Current trends are for the number of outgoing calls to increase therefore the committed figure is considered realistic. This proposal offers the Council a saving on its telecoms expenditure, without risk to service, and is the recommended option.
- 3.6 A spreadsheet is attached showing each of the prospective suppliers outgoing telephone call charges. All are expressed as pence per minute of call duration and a column showing BT's standard charges included for comparison.

4. CONCLUSIONS

- 4.1 The telecommunications market is unstable following the collapse of WorldCom. A number of other companies are in severe financial difficulties and there is a general over provision of infrastructure and services. Rationalisation will take place over the next couple of years and will result in a number of suppliers either ceasing to trade or withdrawing from the market.
- 4.2 It is therefore concluded that there would be significant risk to the Council's telephony services in contracting for a CPS service at this time. In order to safeguard these services it is recommended that the contract be awarded to British Telecom for a fixed two-year term, and to market test the services again towards the end of this period.

5. FINANCIAL AND STAFFING IMPLICATIONS

- 5.1. A total saving of £100,000 will be made on the Council's telecommunications expenditure.
- 5.2. There are no staffing implications.

6. LOCAL MEMBER SUPPORT IMPLICATIONS

- 6.1. There are no local member support implications.

7. LOCAL AGENDA 21 STATEMENT

- 7.1. There is no Local Agenda 21 implication.

8. PLANNING IMPLICATIONS

- 8.1. There are no planning implications.

9. EQUAL OPPORTUNITY IMPLICATIONS

9.1. There are no equal opportunity implications.

10. COMMUNITY SAFETY IMPLICATIONS

10.1. There are no community safety implications.

11. HUMAN RIGHTS IMPLICATIONS

11.1. There are no human rights implications.

12. BACKGROUND PAPERS

12.1. There are no background papers

13. RECOMMENDATION

13.1. That, due to the unstable state of the telecommunications market, Members authorise the award of a two-year fixed term contract to British Telecom for the carriage of outgoing telephone calls.

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DIRECTOR OF FINANCE