Address to Executive Policy Committee - City of Winnipeg Council
Mr. Kelvin Shepherd, President, MTS
November 13, 2013
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His Worship Mayor Katz, members of the Executive Policy Committee, ladies and gentlemen,

Good morning.

I'm Kelvin Shepherd, President of MTS, and I am here today to present MTS's concerns with respect to the recommendation in front of EPC to award the City's landline Voice over IP, otherwise known as VoIP services, a smaller service provider based in Ontario.

First, I'd like to thank the Winnipeg Public Service administration and staff for the excellent job they do for the City. The City has been an important customer for MTS for many years; we have strong working relationship with City staff and the utmost respect for their skills and expertise.

I also wish to acknowledge that MTS has been recommended as the supplier for cellular voice, wireless data and Centrex services, continuing our longstanding history of providing these services to the City. MTS has over 3,000 employees in Manitoba with over 2,000 of those located in Winnipeg, our Head Office is here, and each year we make hundreds of millions of dollars of investment, in capital and operating expenses in Manitoba. These

investments ensure MTS continues to deliver the latest technology and the best services to our customers, including the City of Winnipeg.

I acknowledge that MTS has a vested interest in the VoIP contract, and that we are not a neutral party, as we would very much like an opportunity to be reconsidered as a supplier for the landline VoIP service.

The reason I am here today is that, as a longstanding trusted advisor to the City, MTS feels we have an obligation to support you in key decisions that potentially impact the integrity of the City's telecommunications infrastructure and ongoing operations.

We believe that it is not in the City of Winnipeg's best interests to proceed with the current VoIP recommendation, and doing so could compromise delivery of the secure and seamless telephone service the City is seeking.

Our concerns fall into two areas.

First – concern that the City should fully understand the potential risks and costs associated with the recommended direction, and secondly, that the City obtain the best overall value and solution that meets your business requirements.

More specifically, I respectfully suggest the EPC have satisfactory answers to the following questions before proceeding to approve the recommendation to award the City's landline VoIP service to non-Manitoba based provider

1. Does the recommended supplier have the staff and expertise available in Manitoba to fully support the City's important communications requirements? What is their track record with large scale, multi-site deployments?
2. Does the supplier support the service using only local Manitoba based facilities, such as network interconnections, data centres, and IT support systems?
3. Does sensitive information, such as call records and potentially the voice calls themselves - leave the province and reside in remote data centres? Who has access to this data?
4. Are the data centres secure and staffed with technicians and personnel cleared to manage sensitive, confidential and/or private information? Has the vendor been certified to meet all of Manitoba's privacy standards?
5. Is there an increased risk to important communication services, such as police or fire services, involved in migrating 4000 landlines in a one year time frame to a VoIP service supported by a smaller vendor without local networks and staff?
6. Has the vendor guaranteed the costs for the VoIP implementation, including the cost of City staff and additional equipment required to support the full implementation? For example, additional costs may be incurred for new VoIP telephone sets, upgrades to the City's IT network, and distributed battery backup power in all locations in the City.
7. Has the City completed a full life-cycle economic cost analysis covering more than the initial contract period, one that considers

migration costs and future costs the City will incur to support and upgrade VoIP services? If so, that study has not been made public.

8. While this proposal is recommended as being the lowest priced, does it present the best overall value to the City? Has the evaluation considered the benefits from having a local supplier in terms of the taxes, employment and other investments a local supplier makes in the community?

With respect to providing the best overall value and a solution that best meets the City's critical communications requirements, I acknowledge that we are not privy to the information from all the proposals which would be required to comment in detail on the City's final recommendation.

However, I firmly believe that MTS proposed a superior solution, with competitive pricing, that would have provided better overall value to the City if all aspects of the proposal were evaluated during the tender process.

MTS provided a solution that exclusively uses local Manitoba based facilities supported by skilled, experienced staff located in Winnipeg with a deep knowledge of the City's unique telecommunications requirements.

MTS's solution minimized transition risk by allowing existing centrex and VoIP services, and even our cellular service, to co-exist and interoperate.

MTS provided significant incremental pricing discounts, on the order of $300K per year, should the City pick MTS as its supplier for the landline

VoIP service in addition to the other services which MTS has been recommended for.

MTS has invested nearly $10M over the last 2 years in developing and deploying its hosted VoIP service and committed to have it available for service in the time frame required by the City. The service is commercially available today.

MTS was not shortlisted during the VoIP evaluation, and as of today we have not been informed why that was the case. We understand this is part of the city process, but the City did not follow-up with further questions on the MTS VoIP proposal or respond to requests from MTS to make further presentations on our proposal.

While we recognize the City is following a defined procurement process, we believe that process may have failed to fully assess the risks associated with the project or consider the overall benefits that a Manitoba based supplier would bring to the City.

I am asking the City to consider the potential benefits of re-opening the competitive process for its VoIP services and considering not just the MTS proposal, but any competitive proposal brought forward.

I believe building on the work the City and the various suppliers have already done, that the process could be accelerated and the City still proceed with VoIP in a timely fashion.

By restarting the competitive process with current knowledge and clear direction, the City would assure itself that it was picking the best solution and be able to give full consideration to addressing the concerns I have outlined previously.

I urge you to take sufficient time to investigate and ask the questions required to give you full comfort and to ensure that sufficient due diligence has been done before proceeding.

Thank you for your time today.

I wish you the best in the difficult task of making your decision on the VoIP contract, and regardless of the outcome of that decision, I assure you that MTS will do our best to support the City in implementing it.