WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Council : 27 May 2009

Subject: Review of Current T-Mobile Phone Contract

1. Purpose

1.1 The purpose of this report is to outline actions to be considered regarding current T -Mobile mobile phone contract should T-Mobile persist with its plan to close their offices in Scotland.

2. Background

2.1 T-Mobile recently publicised their intention to close their offices in Larbert, and Greenock, impacting employment in these areas.

2.2 A motion was submitted by Councillor Geoff Calvert on 29 April 09 to West Dunbartonshire Council requesting current T-mobile contract to be reviewed and a report submitted to May 09 Council meeting to outline options and recommendations should T-Mobile's plans be implemented. The report would include consideration of Best Value and Value for Money benefits of seeking an alternative provider or re-tendering the contract.

3. Main Issues

3.1 Current Contract. The main T-Mobile contract commenced in November 2006 and 700 phones were initially purchased. This contract expires in November 2009.

3.2 Any phone that has completed a 36 months contract (i.e. for 700 phones purchased at the start of the 3-year contract) will have no termination fee if contract runs until November 09.

3.3 All phone purchases made after November 2006 are subject to a three year contract from the date purchased rather than contract start date (November 2006) and will therefore require to either operate beyond the contract end date of November 09 or until an agreed co-terminus date.

3.4 The current three year contract includes penalty of £10.21 per month per mobile for early termination.

3.5 The co-terminus date is a date to be agreed with the supplier T-Mobile whereby all individual phone contracts terminate early on same date irrespective of when they started. This allows for all phones purchased under the contract to terminate at the same time. If a co-terminus date is not agreed some phone contracts will incur an early termination penalty of £10.21 per month. Initial indication from T-mobile is that this co-terminus date would be 5 February 2010.

3.6 Should WDC terminate the current contract now, T-Mobile have advised that an early termination fee of £98,672.00 will be charged based on current handset volumes, penalty charges and number of months remaining.

3.7 Should WDC allow the contract to run to November 09 and agree a co-terminus date of 5 February 2010 there will be no termination fee due.

3.8 WDC have at present over 1000 mobile phones with T-mobile and just under 20 mobile devices.

3.9 Information and Communication Technology (ICT) service are currently satisfied with support service from T-Mobile and receive very few complaints about the service coverage from T-Mobile

3.10 Evaluation exercise. In 2008, national procurement initiatives delivered an Office of Government Commerce (OGC) agreement for telephone contracts.

3.11 Early in 2009, ICT and Corporate procurement undertook an initial investigation to assess whether current WDC T-Mobile contract charges compared favourably against the OGC contract charges.

3.12 The comparison was between T Mobile (current contract charges), the T Mobile OGC tariff and the Vodafone OGC tariff. This comparison was based around the model used to evaluate the previous tender.

3.12.1 The comparison used the average phone usage figures for the previous 12 months based on the information supplied by T-Mobile. An average of 11 texts was used, based on usage figures during previous tender evaluation.

3.12.2 The evaluation used the current T-mobile contract rates, OGC Catalyst rates for T-mobile and OGC Catalyst rates for Vodafone.

3.12.3 The exercise compared the handset prices as follows; T-mobile, Nokia 2610 at £35; Vodafone, Nokia 3109 costing £37.

3.13 The outcome of the evaluation demonstrated that T-Mobile OGC tariff was marginally better value than both Vodafone OGC rates and current T-mobile contract rates.

3.14 There will be period of disruption during migration to a new provider.

3.15 If the Council terminates the contract immediately there will be an early termination payment of £98,672, disruption to existing services and the need to immediately find a replacement supplier. T Mobile cannot be excluded from tendering from any future contract and it is possible that they would win any future tender.
A new contract would need to be placed or tendered under EU procurement rules. This contract would normally be placed under the OGC framework agreement which avoids unnecessary tendering costs and delays. This would not allow the contract to be weighted according to the location of the supplier's servicing support. If the Council chose to independently re-tender this contract there would be additional costs of approximately £15-20,000 in tendering costs. The location of the supplier's service support could only be taken into account to the extent that it had a bearing on 'the most economically advantageous tender'. In other words the Council is required to identify and quantify the exact financial costs and therefore weighting to be given the

location of the supplier's service support. As the Council's financial settlement and revenue budget are unaffected by T Mobile's departure from Greenock it is difficult to identify any actual costs which would entitle this factor to be weighted in any contract. Moreover few of T mobile's competitors have support based in Scotland.

3.16 In conclusion, there are significant costs should the contract be terminated immediately. Thereafter T Mobile cannot be excluded from any future tendering of the contract, it is unlikely that the location of service facilities can be include in contract weighting, and on the basis of present figures it is quite possible that T Mobile would win any future contract.

4. Personnel Issues

4.1 Existing resources within ICT, Legal Services and Corporate procurement would be required for any future procurement exercise.

5. Financial Implications

5.1 It would be anticipated that existing revenue budgets will be sufficient to cover cost of a new contract.

6. Risk Analysis

6.1 At present, there is a mobile communications project underway within HEED to deliver housing repair service tickets direct to tradesmen via mobile devices. At this time T-Mobile would be the Service provider for this project.

6.2 Moving to another service provider at this time may have an impact on any established project timelines.

7. Conclusions and Officers' Recommendations

7.1 The existing T-mobile contract is due to expire in November 2009 and if a co-terminus date of 5 February 2010 is agreed, no termination charges will be levied.

7.2 If T-Mobile contract is terminated prematurely, then a charge of £98,672 will be applied.

7.3 Comparison in February 2009 of current WDC T-mobile contract charges against T -mobile and Vodafone OGC tariffs demonstrated that T-mobile OGC charges are marginally favourable.

7.4 The Council is asked to agree to continue with the current contract until its expiry in November 09 with co-terminus date of 5 February 2010.

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Date: May 2009

Ward Affected: None

Appendices: None

Background Papers: None

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