



Report to: General Committee

Report Date: June 13, 2011

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**SUBJECT:** Award of Proposal 009-R-11 Supply and Install Telephone System, Unified Messaging & Call Centre Software

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**RECOMMENDATION:**

- 1) THAT the report entitled "Award of Proposal 009-R-11 Supply and Install Telephone System, Unified Messaging & Call Centre Software" be received;
- 2) AND THAT the contract for Supply and Install Telephone System, Unified Messaging & Call Centre Software from Proposal 009-R-11 be awarded to the highest ranked bidder, Unity Telecom Corp., in the amount of \$1,143,018 (inclusive of HST impact);
- 3) AND THAT the hardware, software and labour cost for 009-R-11 be funded from account #049-5350-10077-005 (Core Phone System Phase#1) in the amount of \$399,000 and account #049-5350-11118-005 (Core Phone System Phase#2) in amount of \$205,600 with a total of \$604,600 (inclusive of HST impact);
- 4) AND THAT the warranty, support and maintenance fees for the telephone system in the amount of \$453,997 (inclusive of HST impact) over a five year term be funded from existing various departmental telecom operating budget (to be consolidated under ITS budget);
- 5) AND THAT the funding shortfall of \$84,421 be addressed in the 2012 capital budget process;
- 6) AND THAT Unity Telecom Corp. be designated as the preferred vendor for Town's telephony service needs and for Avaya Hardware and software product for the term of this contract;
- 7) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to obtain committee approval to award the contract 009-R-11.

**EXECUTIVE SUMMARY**

Understanding that the existing telephone system is very old and critical for continued business operation, the Town undertook a study in 2009 that provided a road map and recommendation to migrate to a Voice over Internet Protocol (VoIP) technology platform using a phased approach.

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Accordingly an RFP was issued in late 2010 to obtain proposals that will provide the Town with VoIP telephone capability, Unified Communication as well as Call Centre functions needed for the Contact Centre. Following the evaluation process, the top four ranked proposals were invited for demo/interview sessions. Staff evaluated 13 submissions and determined that Unity Telecom (top ranked) is the most suitable proposal to the Town.

An independent telecommunication consultant was also retained to provide a peer review of the submissions based on their technical proposals (excluding pricing). The consultant's preferred recommendation is ShoreTel and Mitel based technology solutions that will completely replace the existing Nortel system. Among the four proposals that submitted an upgrade to an Avaya solution, the consultant identified Unity Telecom to be the most preferred proposal. The consultant report also clearly states that with the exception of four proposals that deemed unsuitable, the other 9 submissions are technically very strong (including the 4 Avaya proposals), either of them can do the job, and price is the most determinant factor.

Although there are two submissions that provided ShoreTel technology solution and each of their prices is on the opposite ends of the range, and difficult to explain, staff feel uncomfortable to award the contract to the lowest bidder considering the associated implementation risk, among others. Industry research studies such as Gartner – which is important to understand vendor's long term vision and ability to execute - identify Avaya among the Leaders in both corporate telephony and Unified Communications. In addition, the proposal by Unity Telecom (with Avaya) will have least impact to the Town's business operation, requires less user training, and is optimally priced – making it the most efficient and suitable solution to the Town.

### ***BACKGROUND:***

The existing Nortel (now Avaya) telephone systems at the Town – which are critical to the Town's business operations - are 10 to 20 years old. Out of 30 remote Town sites, 12 sites are centralized with access to voice messaging system from the Town's main telephone system at the Civic Centre. The remaining 18 remote sites are serviced by standalone system or have direct business lines with no access to common 4 digit dialing extension and voicemail from the Town's main Telephone system.

The telephone system at the Civic Centre and some of the remote sites system have already experienced several down times over the last two years that have led to temporary loss of telephone services. The manufacturer has long discontinued production and support for this system and its parts – making us reliant on refurbished equipments. Furthermore, there is no longer any future technical assistance, bug fixes, or system updates available from the manufacturer.

The current Voice Messaging system requires update and is not compatible with the newer version of Microsoft Operating System and office utility products. The hardware is also reaching its capacity to add new users and hence requires replacement.

The Call Centre software, which is critical for the operations of the Contact Centre, is old and lacks major functions that are needed in order to offer enhanced customer service. In

addition, the hardware is discontinued and is not covered under any maintenance program.

Understanding the above situation, in May of 2009 ITS engaged a telecommunications professional services consultant, to conduct a feasibility study and needs analysis for the existing telephone system, Contact Centre needs and voicemail systems requirements and to recommend the most optimal approach/direction the Town should pursue in order to replace/upgrade the current phone system. The outcome of the study recommended replacement of the current obsolete telephone system using a phased approach with newer industry standard Voice over Internet Protocol (VoIP) technology – which uses a data network connection to pass voice traffic. It was also recommended that as a pre-requisite the Town should enhance Wide Area Network (WAN) to all remote sites to high-speed links in order to support the additional bandwidth requirement. The WAN upgrade, which was initiated last year will be completed by end of July 2011, will strengthen the network capabilities to support voice, video and future network needs of the Town.

It is with this background that the Town issued an RFP for the supply and installation of telephone system for the existing thirty (30) Town Sites and two (2) new site which will be operational in 2012 and 2013, respectively, and replace/upgrade the existing Unified Messaging and Call Centre Software, as well as obtain support and maintenance of the system for a Term of five (5) years.

**BID INFORMATION:**

Advertised, place and date	ETN
Bid closing date	January, 10 <sup>th</sup> 2011
Number picking up documents	32**
Number responding to bid	13*

\*\*Purchasing contacted bidders who downloaded the document and did not submit a bid. From the twelve (12) follow-up calls made, Purchasing found that five (5) of the suppliers expertise is outside of the requested scope work; four (4) supplier's indicated they would be collaborating with other bidders as a Tier 2 Supplier; three (3) suppliers could not participate due to their current workload.

Vendors were also encouraged to provide alternative solutions as long as they were meeting or exceeding all the technical requirements.

**PROPOSAL EVALUATION**

The evaluation team was comprised of staff from the ITS department, Contact Centre, Fire Department, Library, Recreation, Clerks and the Planning Department with purchasing staff acting as the facilitator. The evaluation was based on pre-established evaluation criteria as detailed in the Request for Proposal: 10% Company Information and Experience of the Vendor, 50% Meeting all RFP Business and Technical Environment Requirements (which includes Project Implementation, Delivery Training and Support), and 40% Price, totaling 100% with resulting scores as follows:

Vendor	Technology	Score (out of 100)	Rank
<b>Unity Telecom Corp.</b>	<b>Avaya (upgrade)</b>	<b>73</b>	<b>1</b>
Eclipse Technology Solutions	Avaya (upgrade)	70	2
High Tech Communication	ShorTel (replacement)	68	3
Bell Business Markets	Avaya (upgrade)	66	4
Black Box Network Devices	ShorTel (replacement)	65	5
Brantell Networks	Avaya Aura (replacement)	64	6
CaTech Systems	Aastra NX One (replacement)	63	7
Flexity Solutions	Cisco (replacement)	63	8
Introtel Communications	Mitel (replacement)	62	9
Telus Communications	Avaya (upgrade)	60	10
White Label Solutions	Alcatel-Lucent (replacement)	59	11
Altivon	Interactive Intelligence (replacement)	59	12
Arcom Telecom	Alcatel-Lucent (replacement)	53	13

Note: "Upgrade" refers to solutions that will provide a new technology with upgraded product suits to the exiting Nortel hardware and software. "Replacement" refers to a completely new technology solution that will be replacing the existing Nortel (now Avaya) system. It is important to note that some of the Avaya Contact Centre solution is a net new solution (different from the Nortel product) and Unified Communication tools, except for Call Pilot (voice messaging) are new to the Town. The Avaya Aura solution is a completely new technology solution by Avaya (different from the Nortel products) that is different from what is proposed by Unity Telecom.

Prices ranged from \$883,151 to \$1,781,246 inclusive of HST for year one (1) to year five (5) for these submissions, taking into account the total cost of ownership with the inclusion of future support and maintenance years one (1) through to five (5). These costs (approximately \$453,997 inclusive of HST over five years for Unity Telecom Corp) are to be included in the ITS annual operating budget at \$90,800 each year, to be approved through Council.

Staff elected to invite the top four (4) ranked vendors to an Interview / Question & Answer Session, as allowed for in the bid document. The interview panel was comprised of staff from ITS department, Contact Centre, Fire Department, Library, Recreation, Clerks and the Planning Department with purchasing staff acting as the facilitator. The interview was evaluated on pre-established questions and scoring criteria, with an additional 10% marks provided for the proponent(s).

Vendor	Overall Score (Criteria and Interview) (out of 110)	Rank
<b>Unity Telecom Corp.</b>	<b>81</b>	<b>1</b>
Eclipse Technology Solutions	78	2
High Tech Communication	74	3
Bell Business Markets.	71	4

Unity Telecom Corp., the highest ranked and fourth lowest priced bidder, has proven experience as a full service communications company, providing consulting, design, implementation and support for best of breed IP based business communications. Unity Telecom is a private company with a service oriented track record, and a dedicated hands-on management team. Through their own offices and strong alliance partnerships with certified resellers, Unity Telecom Corp., are able to serve businesses of all sizes, throughout Canada and the United States. Their satisfied customers represent a wide variety of industry sectors, including Fortune 500. Their mission is to help organizations leverage communications technology to provide a positive impact on their business. They collaborate with customers to design solutions that best fit their environment, and overlay ongoing service expertise to maximize the return on investment

In its response to this RFP, Unity Telecom partnered with Avaya (the technology manufacturer and who bought Nortel Telecom) to provide the next generation complete suite of products by replacing/upgrading the existing old Nortel products for the telephony. Unity Telecom will also provide the Town with new industry standard, multi-media based and customer-centric solution for the Contact Centre, as well as the latest Unified Communication solution that provides services for mobility, video and audio conferencing and unified messaging functionalities.

Scoring second highest on its technical submission, Unity Telecom demonstrated a thorough understanding of the project and its requirements via the Interview and Question/Answer Segment. The Town is also receiving a complete solution including installation and support to ensure a successful deployment and positive transition to the new solution. This includes: full installation services with their core expertise in IP telephony, networking and call centre; a full support model with 7x24 support of the entire solution for five (5) years; local and dedicated sales and support teams; full preventative and proactive remote monitoring of the voice and data solution; intimate customer support experience to ensure the Town of Markham transitions to the new communication systems smoothly; special discounting being presented at 65% Off Manufacturer List Pricing as part of this award. It should be noted that the Town has the option to go to the market to retain a support and maintenance service provider after the initial five years term.

After evaluation scoring was completed, purchasing staff negotiated with Unity telecom, the HIGHEST RANKED/Fourth lowest priced bidder, a 17% (approximately \$167,913 exclusive of tax) cost reduction from their initial proposed price as allowed under the Purchasing By-Law, while still maintaining the same level of project deliverables. This does not include the cost savings achieved for a negotiated Value Added Component (CallPilot 1006r at Civic Centre and 1005r at 8100 Warden; 10 remote Moves, Adds, Changes Unity Service Hours per month for five years and a Professional Call Centre Consultant Service), estimated at \$78,000 exclusive of tax. The Town is also receiving the decommissioning and removal of all hardware, plus the provision and installation of all required racking to house the proposed telephone systems for all sites as part of this award. A total combined savings of approximately 26%, to the Town.

## **OPTIONS / DISCUSSIONS**

### **Peer Review**

Understanding the technical complexity of these systems and in interest to help the Town select the right telephone, unified communication and call centre solution from the industry, a consultant from Core Telecom Innovations Inc. was retained. The consultant was provided with a copy of the RFP issued by the Town, and a copy of all 13 submissions. Following the scoring criteria established by the Town, the consultant was asked to evaluate the proposals based on their technical merits (excluding pricing), and provide an overall feedback on the RFP and the approach the Town is taking.

Summary of the consultants' review are:

- Two major approaches identified in the proposals: complete replacement of the existing systems with new systems, and upgrade/enhancement of the existing platform with newer systems. The complete replacement option is not suited for phased approach.
- Excluding pricing, the ShoreTel system proposed by Black Box Networks and High Tech Communications is the best technical solution. The reasons are: native and inherent redundancy, ease of administration, and user satisfaction. Mitel technology is the second preferred solution.
- The next set of 4 proposals that recommend an upgrade to the existing system will also meet the Town's technical requirements and do have the capability and skills necessary for successful implementation. Unity Telecom Corp. is the preferred vendor from these submissions due to the company's passion for customer service, large enough organizational size with delivery of personalized service, and proximity to Markham.
- Four proposals (Arcom Telecom, Altivon, While Label Solutions, and CaTech Systems) were identified to be unsuitable to the Town.
- Overall, the RFP was expertly prepared, comprehensive, and provided a clear picture of the Town's requirements.

In conclusion, the consultant indicates that with the exception of the four proposals identified to be unsuitable, the technical score for the remaining nine submissions is very close (a range of 4 points out of 60) which means all of them will meet the Town's requirement, and price will be the determining factor.

### **Industry leaders**

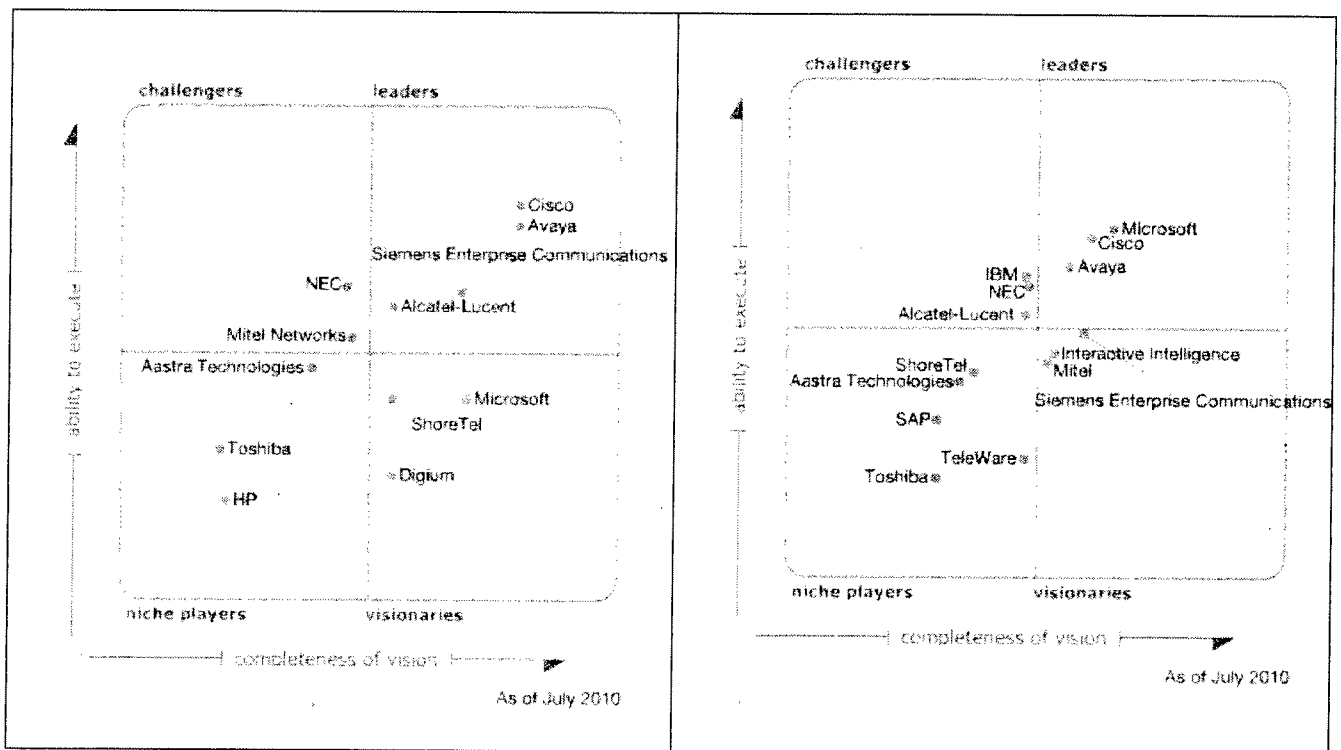
It is a practice in the Information and Communications Technology (ICT) industry to refer to Gartner's research results to identify industry leaders. Gartner Inc. provides annual report in numerous areas of the ICT sector based on research analysts around the world that monitor technology trends and company vision, among other things.

Accordingly, the 2010 Gartner research report for Corporate Telephony indicates that Cisco and Avaya are the noticeable leaders in being visionary and for having the ability to execute. The

report also reveals that Mitel and ShoreTel technologies are much weaker in vision and execution, respectively, than Avaya.

A similar research report by Gartner conducted for Unified Communication in 2010 also reveals that Cisco and Avaya have a reasonable lead in being visionary and having the ability to execute. The same report shows that ShoreTel is weaker in both vision and execution while Mitel has better vision than ShoreTel.

Overall, the Gartner 2010 report shows that unlike ShoreTel and Mitel products, Avaya possesses significant industry leadership in having the vision for its corporate telephony and unified communications products as well as the ability to execute.



Corporate telephony (left), Unified Communications (right) – Source, Gartner (August 2010)

Gartner report also provides the following cautions regarding ShoreTel telephony solution:

- ShoreTel customer satisfaction ratings are largely derived from its installed base of small businesses
- Slow migration of its architecture to support SIP-based communications (offered only on third-party SIP telephones & SIP trunking services which require ShoreTel certification).

## Conclusion

After evaluating all the submissions and in consideration of the recommendations made by the consultant, staff have reviewed the risks and benefits associated with each of the proposed options. There is an overall agreement that most of the provided solutions will meet the Town's requirements and cost will be the main determinant factor. It is to be noted that two submissions made with the same ShoreTel technology solution are on the opposite ends of the price range – making it difficult to provide satisfactory explanation. The evaluation team, however, is not comfortable to recommend the lowest priced ShoreTel-based submission due to its low technical score – which includes the ability to successfully implement the project with a fixed contract, among others.

In order to better protect its investment, it is also important for the Town to consider solutions that are leaders in the industry when introducing technology to the corporate environment. Implementation of such systems being complex, it is also important that business disruptions are preferred to be kept at minimum during this transition. Based on these factors, staff recommend that the contract award for the Telephone, Unified Communication and Call Centre systems replacement be made to the highest ranked vendor – Unity Telecom Corp. Although the pricing submitted by Unity Telecom is the fourth lowest, it is the lowest among the submissions with Avaya solution and is the most technically viable and cost efficient proposal overall.

Migration of the Town's telephone system into a robust and latest industry standard system will provide rich functionalities that will be used by the Contact Centre and enhance our customer service. Integration of various voice-related functions with desktop computers will also give staff a more efficient work environment and provide them the ability to collaborate. Implementation of the recommended technology solution will not only position the Town to leverage from current and rich functionalities but also provide future operating cost saving once fully in place.



**FINANCIAL CONSIDERATIONS AND TEMPLATE:**

The total cost of the award is \$1,143,018 - made up by capital component of \$689,021 and operating component of \$453,997.

	<u>Amount (\$)</u>	
<b>Capital Component</b>		
<b>Budget Available:</b>		
Project#10077 - Core Phone System (Phase 1 of 3)	\$ 399,000	Account#049-5350-10077-005
Project#11118 - Core Phone System (Phase 2 of 3)	\$ 205,600	Account#049-5350-11118-005
<b>Total Budget Available</b>	<b>\$ 604,600</b>	
Less:		
Costs of the Award	\$ 689,021	5-year hardware, software and labour costs (inclusive of HST impact)
<b>Total Budget Shortfall</b>	<b>\$ (84,421) *</b>	
<b>Operating Component</b>		
<b>Budget Available:</b>		
Operating Budget	\$ 453,997	among various departments
Less:		
Costs of the Award	\$ 453,997	5-year warranty, support and maintenance fees (inclusive of HST impact); \$90,799 per year. **
<b>Net Budget Shortfall - Operating Component</b>	<b>\$ -</b>	

\*The budget shortfall of \$84,421 will be addressed in the 2012 capital budget process;

\*\*The operating budgets will be subject to budget approval over the five year term.

A \$10,000 trade-in credit for old telephone equipments will be received over the five year period. The credit will be deposit in Account#400-400-9399 (ITS Sundry Revenue) to be transferred to Account #087 2800 200 (Life Cycle Reserve).

**HUMAN RESOURCES CONSIDERATIONS**

Not Applicable

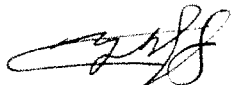
**ALIGNMENT WITH STRATEGIC PRIORITIES:**

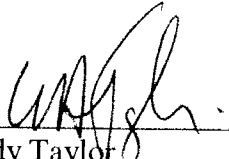
Not Applicable

**BUSINESS UNITS CONSULTED AND AFFECTED:**

**RECOMMENDED**

**BY:**

  
 Nasir Kenea  
 Chief Information Office,  
 ITS

  
 Andy Taylor  
 Commissioner, Corporate  
 Services