Australian Government
Department of Finance

Telecommunications Services Panel (TSP) Discussion Paper

For Comment

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1. INTRODUCTION

Department of Finance (Finance) established following five Whole of Australian Government (WoAG) arrangements for telecommunications services:

- Australian Government Telecommunications Arrangements (AGTA);
- Mobile panel;
- Internet-Based Network Connection Services (IBNCS) panel;
- Telecommunications Management (TMAN) panel; and
- Telecommunications Invoice Reconciliation Services (IR) panel.

AGTA is a contracting framework that governs a number of current WoAG arrangements. The requirement to be a signatory to AGTA to provide certain telecommunication carriage services to the Australian Government was repealed in November 2015. The Mobile panel had an initial term of three years and is still current. The IBNCS, TMAN and IR panels are due to expire in 2016 and will have executed all possible extension options.

The panels are currently used by Non-Corporate Commonwealth Entities (NCCEs) to procure telecommunications services, such as carriage, telecommunications management services and invoice reconciliation services. NCCEs are mandated to procure in scope services from IBNCS and TMAN panels. The panels do not sit under one contracting framework and have different terms and conditions.

Finance is reviewing the scope of the current arrangements with a view of streamlining the number of panels it has in place. Consideration is being given to retiring the TMAN and IR panels due to the low number of contracts under these arrangements. These specific panels do not return savings to government and the high cost to refresh and maintain the panels outweighs the benefits to the government. The scope of the Mobile panel is not being reviewed at this stage as this panel was only established in late 2014.

2. PURPOSE

The aims of a WoAG coordinated procurement are to:

- reduce the price of supply to entities;
- continue to meet the business needs of entities;
- contribute to a competitive and viable industry;
- establish fair, equitable and transparent processes; and
- optimise government savings.

Finance is considering the future panel arrangements for telecommunications services that will best serve the Australian Government and industry once the IBNCS, IR and TMAN panels expire in 2016.

Finance is seeking industry and Agency discussion on the:

- proposal to retire the TMAN and IR panels; and
- design of a new Telecommunications Services Panel (TSP), including:
    - the proposed contract term and flexibility to add new telecommunications services and/or products; and
    - categories, statement of requirements (SOR), pricing structure and evaluation methodology.

This feedback can be provided through an online form accessible at:
http://ictprocurement.limequery.com/index.php/752251/lang-en

The feedback from this discussion paper will be utilised in the development of the Request for Tender (RFT) documents to be put to market for telecommunications services in 2016.

2.1. Background

This paper addresses the proposed procurement arrangements to enable the ongoing contracting of telecommunications services upon expiry of the panel arrangements and the creation of a single contracting framework for entities to procure telecommunications services.

This discussion has been informed by:

- stakeholder engagement with government entities and industry;
- reviewing industry trends; and
- gaining an understanding of what other government agencies are doing both at the State level and overseas.

The focus has been on providing flexibility to agencies and service providers to facilitate additional telecommunications services categories to be added to the TSP.

3. CURRENT MODEL OF OPERATIONS

3.1. Existing procurement arrangements

Finance established the IBNCS, TMAN and IR panels in 2010 and 2011. These panels were established to provide coverage of the telecommunications services for agencies.

3.1.1. IBNCS panel

Finance established the IBNCS panel for the procurement of:

- Network Carriage Services (NCS);
- Virtual Connection Management Services (VCMS);
- IP Carriage Services (IPCS) (includes both NCS and VCMS); and
- Major Internet Connection Services (MICS).

The term was established for an initial three-year term with two 12-month extension options. The current term expires at the end of 2016. The IBNCS panel has been successful in meeting its objectives in achieving savings to the order of $87 million since the panel's establishment. As at the beginning of 2016 there are 137 active contracts to the value of $342 million (including GST) transacted under this panel.

3.1.2. TMAN panel

The TMAN panel was established for procurement of operational management activities including:

- analysis;
- design of entity telecommunications requirements;
- help desk support;

- management of service levels for entity; and
- billing services.

The TMAN panel was for an initial term of three years with two extension options of 12 months each. The panel expires at the end of 2016. There are 24 panellists with 96 active contracts under this panel. The majority of the contract value for TMAN comes from two large contracts with the Department of Immigration and Border Protection and Defence. The remainder are small contracts making up a small percentage of the total contract value.

3.1.3. IR panel

The IR panel was established to provide a mechanism for entities to engage panellists for the provision of invoice reconciliation services. The IR panel has only executed four contracts. As at 30 November 2015, there were three panellists and only two active contracts. The panel is underutilised and does not meet the aims of WoAG arrangements mentioned above. The IR panel expires 23 August 2016.

4. STAKEHOLDER VIEWS OF THE PANEL ARRANGEMENTS

Finance conducted stakeholder engagement with entities and current panellists to gain an understanding of issues and practices associated with procurement processes for telecommunications services and to seek feedback as to improvements that may be made.

Feedback was generally positive with entities commenting on the savings they have realised through using the arrangements. Other points included preferences for:

- improving communications channels specifically with respect to the IBNCS panel;
- simplifying the RFQ process for the IBNCS;
- ensuring consistency in the terms and conditions for each of the individual panels;
- reducing the complexity associated with pricing. It was suggested that this could be simplified based on bandwidth, access type, location and features;
- simplifying the current structure of pricing associated with multiple zones ; and
- using terminology across all of the panels that is consistent and in line with industry standards.

5. PROPOSED TSP CONSTRUCT

5.1. Introduction

The proposed TSP model is designed to allow for the inclusion of new services and categories as technology and requirements change. A snapshot of the market place which inform the design of TSP is set out at Appendix A.

5.2. Use of the TSP

It will be mandatory for NCCES to procure services available under the proposed TSP arrangement, with the exception of the optional satellite services. Corporate Commonwealth Entitles and other Commonwealth agencies and State agencies can choose to use the panel.

5.3. Contracting framework

The TSP will be established under the ICT Deliverables Head Agreement as a module. The agreement offers standardised terms and conditions across a number of ICT coordinated procurement panels including the

WoAG Data Centres Facilities Supplies panel and the ICT Hardware and Associated Services panel. Panel specific terms and conditions are offered via modules underneath the head agreement, the TSP will be module 4.

5.4. Selected model

The proposed model in this discussion paper has been built to provide the following functionality:

- The procurement of telecommunications services under Module 4 - within the ICT Deliverables Head Agreement framework;
- Flexible procurement of one or more telecommunications (in this case - WAN) services;
- Outcome rather than technology focused technical requirements;
- Flexible TSP arrangements to add new services and categories to module 4; and
- Flexible provision to add modules, if required, under the ICT Deliverables Head Agreement for other telecommunications services e.g. a module 5 with categories for unified communications, managed LAN, video conferencing etc.

This approach is based on the Service Tower Model below that can offer the categories of services across both the major telecommunications services towers:

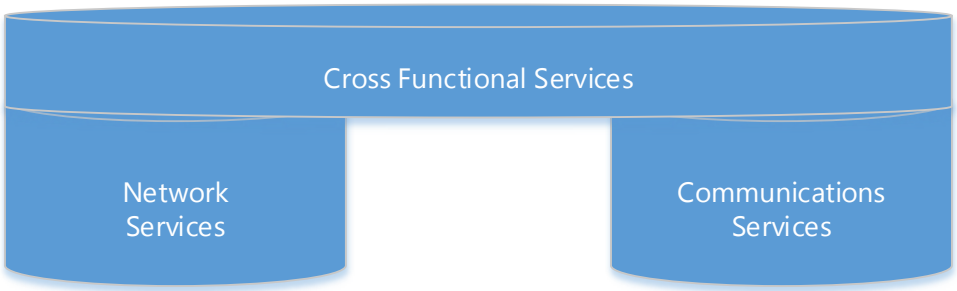

Figure 1 - Service Tower Model

While this model has been included here for completeness, the WAN component of the Network Services is the **only** one included in scope for the first module proposed for the TSP. Resource permitting, additional categories to Module 4 and other modules may be considered if there is a need to do so, consistent with the ability to achieve VFM.

A service tower is a group of functionally similar information technologies that are used to deliver a set of related services to end users directly or indirectly. Service towers include all of the operational and support aspects required to enable service delivery. The specific definition of the service towers for telecommunications services is as follows:

- Network Services – provides information transport within and between the customer fixed sites. It will provide transport for ICT services and applications used by the customer. This includes:
    - Wide Area Network (WAN) – terrestrial and satellite; and
    - Local Area Network (LAN) – fixed and mobile.

- Communications Services – provides fixed and mobile communications services. This includes:
  - Voice – fixed; and
  - Unified Communications (UC) – collaboration, video and audio conferencing.
- Cross-Functional Services (CFS) – provides the people, process and toolsets required for the delivery of network and communications services. This includes:
  - processes for management, governance, monitoring, measurement, reporting, transition, disengagement, etc; and
  - toolsets.

Initially, the proposed TSP will enable procurement within the network services tower for the procurement of managed terrestrial WAN related services and transport services. WAN (satellite) may be procured through TSP module 4 arrangements but is not mandated by Finance.

In the future, this model may be enhanced by the addition of further modules and categories that cover services within both the network and communications service towers.

5.5. SOR structure

Given the market trends (noting the speed at which these are changing), the initial feedback from stakeholders, and the constraints of current procurement process, the SOR has been constructed to provide flexibility while maintaining the structure in such a way that allows for entities to be able to appropriately address their requirements using the WoAG approach.

It is proposed that Finance will be contracting party with the panellist for TSP, similar to the current approach adopted by the IBNCS panel. The proposed categories for TSP are as follows:

Module 4: Network Services	
Mandated for NCCE	***Optional***
Cat 1- Managed WAN (Terrestrial)	Cat 1 - Managed WAN (Satellite)
Cat 2 - Transport Data Link	
Cat 3 - Internet Connection Services	

Common industry terminology is used for the name of each category and in the SOR to make it easier to understand the services that will be offered on the panel. The design of the module enables agencies to selectively outsource one or more services (Cat 1-3). A Managed WAN (Terrestrial) panellist needs to include carriage for the total solution. If the panellist is not able to supply the carriage then it must procure through a member of TSP.

5.6. Flexibility to add suppliers, services and categories

During the life of the panel arrangement, suppliers may have the opportunity to join the panel or add new service categories, which will benefit both entities and industry. This will reduce the costs for both while ensuring access to new technology and services and increase competition. By providing multiple

opportunities for suppliers to join the panel, via the addition of new modules or categories, it will allow new industry participants to access government business. Once a supplier has been appointed to the panel it is intended that they will be able to update their services or add new services to a category as required, with the approval of Finance.

It is intended that the modularised approach will enable the addition of categories in the future as the need is identified and/or current Finance-established panels expire.

5.7. Service performance

Service performance will be an important component of the TSP whereby all services must be subject to service levels against which the panellist's performance of the TSP services will be measured. The service management framework is based on the usual industry platform for service management, the Information Technology Infrastructure Library (ITIL) and this has been further developed in the proposed SOR. This incorporates the following elements:

- ***Performance management.*** This is based on continuous service improvement, with a focus on increasing efficiency and effectiveness. This includes: service reporting; long range planning; evaluation and testing; and technical currency.
- ***Service level management.*** The panellist will be required to measure service levels on a monthly basis. The SOR provides expected and minimum service level targets and associated service credit for a default as well as providing a framework for service providers to earn back a service credit. A mechanism will be provided twice per year to delete, change, add and/or modify service levels.
- ***Incident response resolution.*** The SOR has provided a priority assessment framework to be employed. Entities will have the flexibility to define and agree the actual service level targets for incident response and incident resolution while needing to meet the baseline measures as defined by Finance in the SOR.

5.8. Contract term and extension options

The TSP is proposing an initial term of four-year with three extension options of up to 12 months each. During the life of the panel arrangement, suppliers will have the opportunity to join the Panel or add new service offerings, which will benefit both agencies and industry. Comment is requested as to the appropriateness of this proposed contract term and extension options.

5.9. Proposed Pricing Structure

The pricing structure has been simplified and is designed to consider bandwidth, access type, location and features, including the quality of services. This has been reflected in the structure of the TSP tender pricing forms to align the requirements of the SOR with a tenderer's underlying cost structure.

5.9.1. Methodology

A monthly or a usage rate is defined for each category in the TSP resource unit definitions section of the SOR. For Managed WAN Services - Category 1, a project price is used to make it adequately flexible to suit the specific business requirements of the Agency.

5.9.2. Handling of CFS and common network services

CFS and common network services requirements will not have a separate resource unit charge. The charges for such services are included within the monthly resource charges for the services to which the CFS and common network and communication services relate.

5.9.3. Invoicing

Invoice requirements are consistent with current Finance practices. Invoices will be in an electronic format. The specific format will be specified by Finance prior to issuing a contract. Finance has also defined a critical deliverable credit to be applied for incorrect monthly invoices received from service providers.

5.10. Proposed evaluation methodology

Evaluation of responses will be consistent with government practice and consider the following factors:

- Technical;
- Financial (Pricing);
- Commercial and compliance;
- Scenario assessment;
- Assessment of risk; and
- Value for Money (VFM).

As a panel, there is no criteria that specifies capacity planning. Hence in addition to the technical and pricing response templates, Finance will employ scenarios as a mechanism to assess the proposed solution against the service category. Tenderers will be required to:

- Address the SOR in relation to the solution offered;
- Describe how the solution takes into consideration the geographic distribution of sites and the size of the Agency; and
- Address each evaluation criteria and demonstrate that the solution is flexible, scalable and provides VFM for large and small entities while delivering a high service quality.

6. CONCLUSION

In summary, Finance intends to:

- retire the TMAN and IR panels as they expire; and
- approach the market to establish a new Telecommunication Services Panel.

An SOR, pricing structure and evaluation methodology for the initial establishment of the TSP have been provided for review (see attachments). Feedback is specifically sought on:

- category;
- contract term;
- level of flexibility to account for future additions;
- SOR and pricing structure;
- Evaluation methodology;

- Proposed retirement of the TMAN and IR Panels; and

Feedback is to be provided by 5.00pm (AEST) Wednesday, 13 April 2016 through the survey tool at: http://ictprocurement.limequery.com/index.php/752251/lang-en

The feedback will be employed in the review of the SOR, pricing structure and evaluation methodology prior to these being distributed as part of the RFT for the establishment of the TSP. If more time is required to provide feedback please contact the team at TSP@finance.gov.au.

APPENDIX A

1. MARKET TRENDS

1.1. Introduction

The movement of technology and roadmaps that are associated with various telecommunications service providers (Telcos) will inform the development of the TSP's statement of requirement. In the first instance, the SOR will be restricted to address only those requirements of WAN transport (carriage) and the associated managed services component[1]. Whilst these constraints are noted, the related industry trends have the potential for knock-on effects across all aspects of the provision of telecommunications services including other telecommunications services modules encompassing additional network and communication tower categories[2] including:

- LAN;
- unified communications;
- video and audio conferencing;
- professional services;
- telecommunications services equipment;
- voice;
- data;
- mobile; and
- the Internet of Things, including connectivity related to big data and mobility.

This is in the context of understanding that the proposal is for the TMAN and IR panels not to be re-established and for the TSP structure to provide the flexibility for Finance and service providers to add new telecommunications services modules and categories. Mobile devices and carriage are offered under the Mobile Panel which was established in September 2014. The Mobile Panel is not in scope under the current proposed TSP structure however it is intended to be migrated to the same contracting framework as a separate module.

As the appetite for mobile connectivity grows, it is reasonable to assume that telecommunications companies will be looking for opportunities to increase revenue through core businesses. This will include network connectivity and the sale of network equipment and devices through new products and services.

Carriers will need to continue to focus on providing services that are high quality, reliable, and from a market perspective, affordable. The challenge in 2016 will be doing this in a market where there is increasing usage and declining rates.[3]

Given the constantly changing environment particularly within the telecommunications industry, it is critical that the procurement processes associated with these types of services are maintained with a reasonable amount of currency to ensure the consistent testing of VFM. It is equally important to have a process to continually review the marketplace and hence be aware of the emerging environment. Technology lifecycle, trends, pricing and other associated issues are all integrated and require constant revisiting.

[1] See Section 5 for further explanation of the requirements for the development of the SoR and the components that will be undertaken as part of this SoR.
[2] See Section 5 for further explanation of the construct of the Network and Communications Towers.
[3] http://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/telecommunications-industry-outlook.htm p2

1.2. The technology lifecycle

The technology lifecycle provides a major challenge for the procurement of telecommunications services due to the ever-increasing delta of change. The costs and profits of a product from technological development to market maturity are becoming less and the time to market following the usual research and development iterations is now becoming more difficult to predict.

The Internet of Things (IoT), smart machines and mobility[4] form a set of interrelated disciplines that are expected to have a big impact on the digital economy. It is anticipated that the impact will be a realisation of efficiencies, growth opportunities and new experiences for clients. Currently these disciplines are creating a substantial interest in analytics technologies.

1.2.1. Usage

It is expected that data consumption will continue to grow, with the expansion of IoT and the continued uptake of content, together with the need to have faster processing of information.[5] Sponsored data services will further emerge as Telcos look for ways to increase revenue in a market where clients are less likely to invest in long-term ownership of content.

Wi-Fi usage will continue to be key, especially as carriers look to offload more mobile traffic onto broadband networks (especially fibre) and consider other spectrum efficiency technologies. Services will be a key focus to help carriers rationalise networks and potentially offer improved and expanded services.

1.2.2. Cloud

Cloud is now part of any consideration relating to telecommunications services, the related technology associated and the impact it will have on the services. Its growth has been driven by increasing availability, performance and falling prices.[6]

Many of the traditional telecommunications requirements (e.g. PABX, voice as a service, unified communications as a service, database, workloads, data storage, etc.) are now being delivered by cloud computing and this has come about through a process of commoditisation across a wide range of offerings. Software as a service, platform as a service, and infrastructure as a service have all seen the emergence of new pricing models through necessity as the market has reached a level of maturity that demands this change in approach.

A discussion paper written by Finance on Cloud Procurement was released in August 2014.[7]

1.3. The Change in the Makeup of Telco Suppliers

The recent consolidation within the telecommunications industry has resulted in a number of significant changes that has fundamentally changed the competitive nature of the industry. iiNet purchased Netspace, the retail arm of AAPT, TransACT, Internode and Adam. M2 (which trades under the Southern Cross Communications and Commander brands) purchased Primus, Dodo and Engin. Meanwhile, TPG became one of the big four by purchasing the backhaul arm of AAPT.

With TPG's takeover of iiNet, there is now an inflection point where there is a choice between a "big five" of telecommunications: Telstra, Optus, TPG/iiNet, Vodafone and NextGen (and its resellers).

[4] Gartner's Hype Cycles for 2015: Five Megatrends Shift the Computing Landscape, 12 August 2015
[5] http://www.gartner.com/newsroom/id/2684616
[6] Deloitte, Technology, Media & Telecommunications Predictions 2016
[7] Department of Finance, Cloud Procurement Discussion Paper, August 2015

Therefore any new entrant to the market would either need to raise large capital to establish backhaul cable and equipment or become a reseller of one of the larger companies.[8]

1.4. Connectivity

It is expected that Telcos will find new opportunities for growth in the Australian Government sector, as innovation gains more traction particularly in light of the government's direction in this area. This year is likely going to see a noticeable shift toward implementation of the next generation of wireless network technologies[9]. Regardless, however, the core service offering of a switched, high availability and speed data facility (both unclassified and protected –secure) will remain extant and be the fundamental primary means through which the government will continue to operate in the near future.

Notwithstanding, the complex issue around ownership, management and supply of dark fibre and the opportunities that this offers, the ownership and service levels need to be considered as part of the overall conversation relating to connectivity. To complete the service offering, Telcos are being asked to consider dark fibre as a minimum, in order to provide an option particularly with respect to the issue of security, alternative pricing methodology and performance.

1.5. Benchmarking

The employment of benchmarking of a current contract against market solutions is increasingly being applied. This is generally undertaken for a range of reasons, but may include:

- evaluating the value for money and performance of a current contract against the market;
- avoiding expensive tender processes and switching costs; and/or
- obtaining additional services within the contract.

Given that the Information Technology Outsourcing service costs have shown to be falling annually by 4 percent[10] this reinforces the driver for clients to ensure fair market price over the length of any contract. Techniques in addition to benchmarking include: predefined unit price declines; and price adjustments based on specific indexes.

1.6. Performance-driven outsourcing

This year will see the fundamental trends of mobile broadband; Machine to Machine (M2M); Cloud computing; Telco over the Top services[11] and Big Data management continue to drive the broader telecoms sector.

Traditionally, Telcos have focused on retaining loyalty rather than monetising demand. As a result, an array of anti-churn strategies — fixed broadband, free upgrades, flat-rate mobile data, multi-play packages — has enabled consumers to use ever-higher amounts of data at little incremental cost, while also encouraging them to regard minutes and bandwidth as commodities with relatively little value in themselves.[12] Given this trend, clients are now becoming more performance and outcome focussed to ensure services levels are

[8] http://www.smartcompany.com.au/technology/46126-what-tpg-buying-iinet-means-for-competition-in-australia-control-shift.html

[9] http://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/telecommunications-industry-outlook.htm p3

[10] Information Services Group, Inc., Securing Value for Money in Outsourced Contracts, 2014.

[11] Over-The-Top is a conceptual term that describes a scenario in which a telecommunications service provider delivers one or more of its services across all IP networks, predominantly the public internet although sometimes telco-run cloud services delivered via a corporation's existing IP-VPN from another provider

[12] Metrics transformation in telecommunications EYG no. EF0127 CSG/GSC2013/1115394 ED 0114 p. 4

carefully developed, monitored and maintained, functionality keeps up with the changing technology and that key performance indicators (KPIs) are in line with industry standards (as they change).

While cost savings is still important, clients are increasingly using outsourcing to become more innovative and agile. Clients are more willing to work with service providers that may not be able to meet all their needs, but can deliver exceptional performance in a specific process area.[13]

1.7. Service levels

Telcos will be required to consider network strategies to better manage coverage, quality, and capacity. There is an emerging trend for Telcos to move away from proprietary, hardware-based network equipment to Software-Defined Network functions which theoretically should allow them to manage and operate their networks more efficiently and effectively.[14] This approach is not yet mature, however, it is a clear emerging strategy undertaking the efficiency gains that such initiatives are able to bring.

As with all discussions around service levels, much is dependent on the criticality and requirements of the end client noting that the cost is directly related to the Service Level Agreement (SLA) and overall performance. With the enhancement of network management tools and technology, the ability to provide these higher service levels does not necessarily mean it is more difficult – rather it then becomes a discussion around price, risk and the way that it is managed both from the client and provider perspective. Accordingly, the costing models for SLAs will continue to change with the changing approaches to both technology and risk.

The service level management methodology has been articulated in the SOR to provide guidance on the approach that would suit a WoAG methodology. This looks at the achievement of the service levels and overall performance by the provider, which may require the coordinated, collaborative effort potentially with other third parties, the prompt resolution of all incidents and all failures to provide a high-quality service.

1.8. Procurement

The procurement process will be required to be flexible, sensitive to the market trends and timing and be able to effectively implement a process that is contemporary and in-line with the innovation strategy being articulated across the government. The panel needs to have the flexibility to be able to revisit capability, pricing and availability, to ensure a consistent approach to the changing platform of technology for service delivery and also management.

1.9. Contract length

The technology lifecycle continues to place pressure on the contract period for the provision of the telecommunications services. However, this is subject to a number of variables, including:

- the commoditised nature of the solution;
- the pricing method such as the need to amortise costs over the period; and/or
- the transition from any existing arrangement.

A recent report identified that in 2014, 81 percent of outsourcing contracts that were due to expire were renegotiated. Whilst this was a 13 percent decline from 2013, the traditionally high level indicates this is

13 Press Release: ISG: Demand for Specialists Pushes Outsourcing Volume Higher, Dec 1 2014 p.1
14 http://searchtelecom.techtarget.com/tip/2016-telecom-trends-As-NFV-goes-so-goes-carrier-cloud

normal.[15] General practice for major telecommunications outsourcing contracts indicates 3-5 year contracts with market reviews every 1-2 years, and extension options – e.g. 3+1+1 (3-year contract, plus 2 x 1 year extensions).

1.10. Outcomes and performance

The range of technologies available and some experiences with solutions not meeting customer expectations, has led to a focus on outcomes. An emerging trend is the request for solution rather than the tradition request for proposal/quote.[16] The objective is to enable innovation, better explain complex requirements and avoid evaluation of solutions on a narrowly defined context (e.g. replacing the current environment). A current practice is the use of an expression of interest to request a solution to a problem prior to procurement.

End-to-end agreements or partnership type relationships are increasingly reflective of the outcome based approach. This places greater emphasis on the definition and implementation of SLAs and KPIs. The expected benefit of this approach is more predictable pricing.

1.11. Pricing

The speed of technical evolution along with the bundling of services has seen a range of pricing models become more prevalent in outsourcing. For example, voice, video and fixed networks have increasingly been provisioned “as a service”. Operating cost sourcing (amortised or shared) rather than hardware capital expenditure is increasingly used to limit the risk of obsolescence and provide greater VFM. On Demand and Pay as You Go pricing modes provide a consumption based mechanism to enable peak/off peak and usage related service provision thus providing a potentially more competitive approach to the pricing construct.

An issue with pricing, particularly with respect to the bundling approach[17], relates to transparency and management of costs. A lack of transparency can, and often does, render a rift of trust with respect to the construct of the pricing model. Whilst much of this can be managed through account management, specifically with respect to a WoAG approach, the transparency needs to be complete. This is an approach that moves away from the emerging trends, however for the entities to have full disclosure, it will be essential to provide the pricing in line with a fully transparent approach.

Hybrid cloud broking is helping to support the growth of these pricing models with the inter-connecting of private clouds. However, as noted in the Cloud Discussion Paper, this adoption within the Australian Government is somewhat less than the private sector, with greater concerns over data sovereignty and security.

[15] Information Services Group, Inc., Momentum Market Trends & Insights Report 2014, March 2015.
[16] Information Services Group, Inc., The RFP will never be the same, Emerging approaches to innovative sourcing, 2013
[17] Bundling is where a number of services are combined and offered for a single price. This is a common practice used by telecommunications providers where in some cases cross subsidisation is used for products or services that are not necessarily as profitable as others.

1.12. Other jurisdiction/market arrangements

Recent research shows[18], a standardised approach to categorisation of services across jurisdictions is uncommon.[19] The telecommunications industry is complicated by a wide variety of technologies which achieve similar or identical outcomes for the end-user. Trying to agree on standardised terms for every technology is likely to end up in significant variations over the life of the agreement as technology changes. Several jurisdictions have taken this approach, including the New Zealand Government with their Telecommunications as a Service (TaaS) approach to market and the NSW Government with its large pre-qualification scheme.

Most procurement frameworks examined cover the standard service categories of voice, data and mobile but the service delivery, management and procurement methods vary. Some procurements frameworks have recently increased the definition of categories to be more specific – e.g. the UK Government employs 10 categories (termed 'lots') that principally define the type of connectivity and method/medium of information exchange.[20] This approach is similar to the proposed TSP construct (refer Section 6) and contains many of the components that the UK is using.

While some telecommunications services are the same across all jurisdictions (such as internet services as offered under the IBNCS) there is a spread in the nature and type of services which are offered. There are services (e.g. networking hardware, networking configuration and email hosting) that are currently purchased at the whole of government level by other jurisdictions which are not catered for under the current panel arrangements. Under a flexible approach and looking at the services tower arrangements, these could potentially new categories added at a later stage to service this need.

Several jurisdictions have taken the approach to locking-in competitive and discounted pricing for "core" services which are used by the majority of government entities. This comes with flexibility for suppliers to submit pricing in a secondary procurement process that addresses any special or "supplementary" services or as technology advances new products.

Centralised expense management, as used by the UK Government, has helped that jurisdiction reduce expenditure by 20% on unused or duplicate services alone. There are potential savings to be realised by consolidating telecommunications billing through a single point and standardising data to generate meaningful comparisons – such as the average telecommunication spend per FTE staff member and collecting inventory information (which could help in predicting demand for replacing device at end of life).

One emerging practice is the separated procurement arrangements for small and large providers and/or contracts. The objective here is to simplify procurements at the lower end of the spectrum. Additionally, as is being proposed for the TSP, flexibility and the approach to potentially invite additional panellists from time to time is part of the method to be adopted to ensure the VFM is uppermost in the WoAG construct for the delivery of these services.

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[18] A range of research was undertaken as part of the development of the SOR and related documentation, including this discussion paper. States and Territory arrangements were examined to understand the level of standardisation, categorisation and overall approach to the service offerings from industry. Additionally, the types of services required were examined to understand the complexity, diversity and management of these services.

[19] Examples include:
http://www.itnews.com.au/news/sa-govt-finalises-525m-telco-panel-399614
https://www.contractswa.finance.wa.gov.au/contractinfo.jsp?CuaNo=CUA56808
http://www.hpw.qld.gov.au/aboutus/BusinessAreas/ProcurementTransformation/Pages/Procurement-Transformation-Program.aspx

[20] http://ccs-agreements.cabinetoffice.gov.uk/contracts/rm1045