

RT15-2016: Mobile Communication Services

Enterprise Bundle for the State Institutions

Transversal Contracting: 30 March 2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



vodacom

Background



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Cost savings alignment to the Budget Speech

“

The Budget speech tabled in February 2016 is guided by the NDP. It is a budget for inclusive growth, it emphasises partnerships amongst role players in our economy, it prioritises education and infrastructure investment, it supports employment creation and it contributes to building a capable, developmental state.

In brief, it proposed one of the following:

- The expenditure ceiling is cut over the next three years by R25 billion, mainly by **curtailing personnel spending**.
- “The **40% savings** which relates to over a R1 billion in the next three years obtained on Mobile Communication Services will reduce the R25 billion expenditure”

”

Source: 2016 Budget Speech - Pravin Gordon, Minister of Finance

The need to strategically source commodities

The appointment of the CPO in 2013 led to numerous identification of projects for strategic procurement to leverage on buying power including the mobile communication services



The need to modernise Government processes for efficient service delivery

OCPO's aim working with all government institutions is to modernise and oversee the South African public sector SCM system



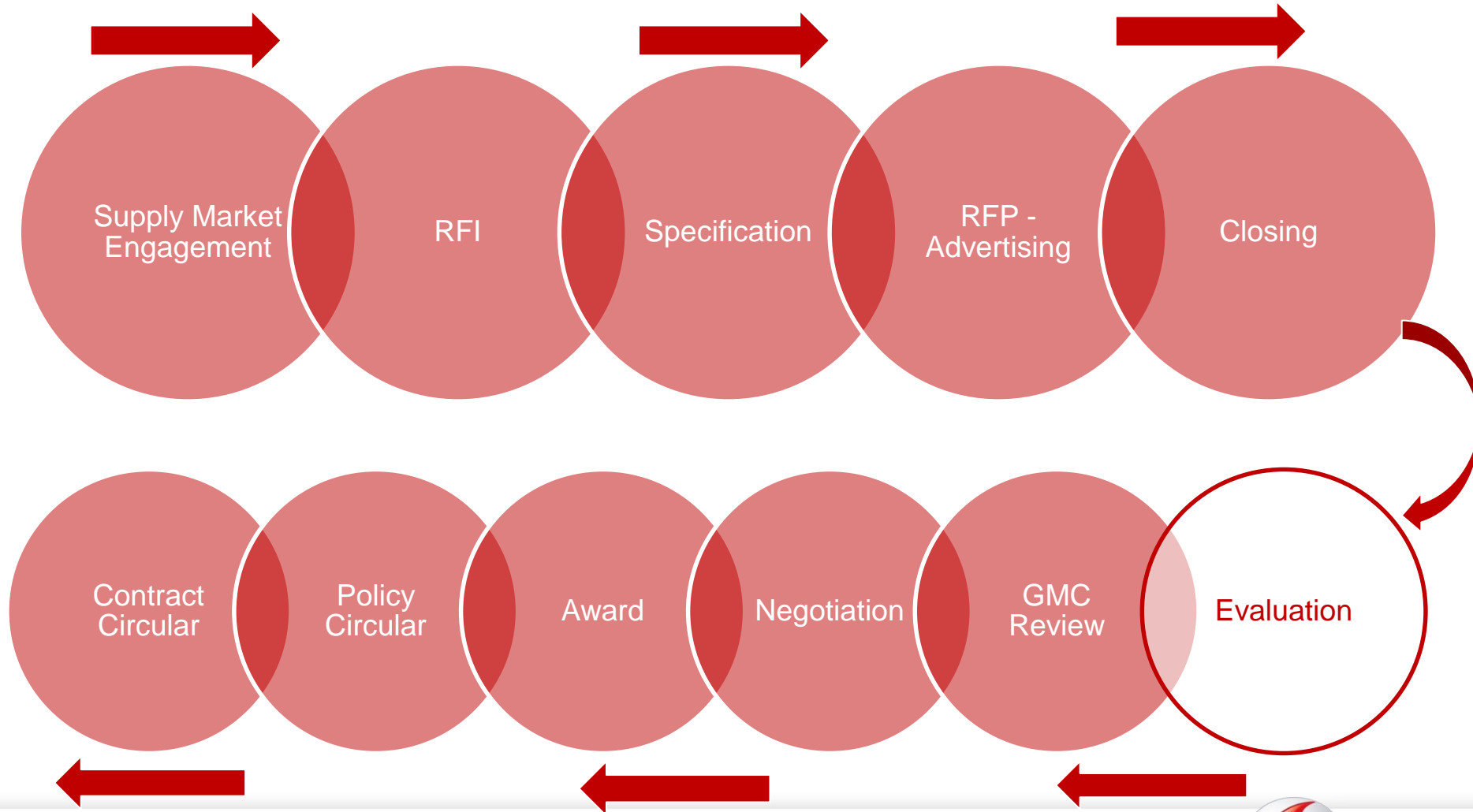
Where Government has been stuck for years!



Where Government is heading in the near future!



The bid process unfolded



The evaluation process unfolded

Phase 1

- Metro Lifestyle
- MTN
- Vodacom
- Telkom

Mandatory Bid Requirements

Phase 2

- Metro Lifestyle
- MTN
- Vodacom
- Telkom

Mandatory Technical Requirements

Phase 3

- MTN
- Vodacom

Functionality Requirements

Approximately
40% Savings
negotiated

Phase 4

- Vodacom

Price & B-BBEE

Realised Savings

As part of innovation, service providers were requested to propose cost reduction methods to assist the State in reducing the spend on the commodity

Enterprise Bundles

	Proposal 1		Proposal 2		% Change	Savings
Voice and Data Line	R490	▶	R407	▶	- 16.9%	28.5%
Data Line	R95	▶	R88	▶	- 7.4%	↓
Blended Tariff	R321	▶	R270	▶	- 15.7%	39.9%

Savings breakdown – National and Provincial Departments

The monthly average spend on the Vodacom lines Current vs. EB

Vodacom lines	# of lines	current	Average spend per user	EVb/EDb	Average spend per user
voice	95 283	R 59 409 859	R 623.51	R 38 780 181	R 407.00
data	71 516	R 15 581 767	R 217.88	R 6 293 408	R 88.00
	166 799	R 74 991 626	R 449.59	R 45 073 589	R 270.23
Savings				39.90%	

Monthly Average spend based on the 400 000 base

All Lines	# of lines	current	Average spend per user	EVb/EDb	Average spend per user
voice	228 498	R 142 470 541	R 623.51	R 92 998 594	R 407.00
data	171 502	R 37 366 571	R 217.88	R 15 092 196	R 88.00
	400 000	R 179 837 112	R 449.59	R 108 090 790	R 270.23
Savings				39.90%	

TCV		R 8 632 181 391		R 5 188 357 897
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How can the savings be realised?

Instruction Note 2 of 2016/2017 – Cost Containment Measures

Effective policy and procedures to manage and monitor expenses

Device As a Tool of Trade

Allocation of MCS must be based on employee responsibilities rather than levels of occupational positions

Convert Individual Packages to Enterprise Bundle



Optimise usage by reducing wasteful expenditure but recover private use

Mindful of the current economic realities and the need to intensify efforts to improve efficiency in expenditure

Savings can be channelled to other current service delivery economic realities

Water Scarcity



Higher Education Funding Crisis



Current

AND

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Submission of participation letter and all enquiries

Enquiries related to this Transversal Contract may be directed in writing to the National Treasury as follows:


Ms. Henriëtte Liebenberg

Assistant Director

Chief Directorate: Transversal Contracting

Fax: 086 549 3062

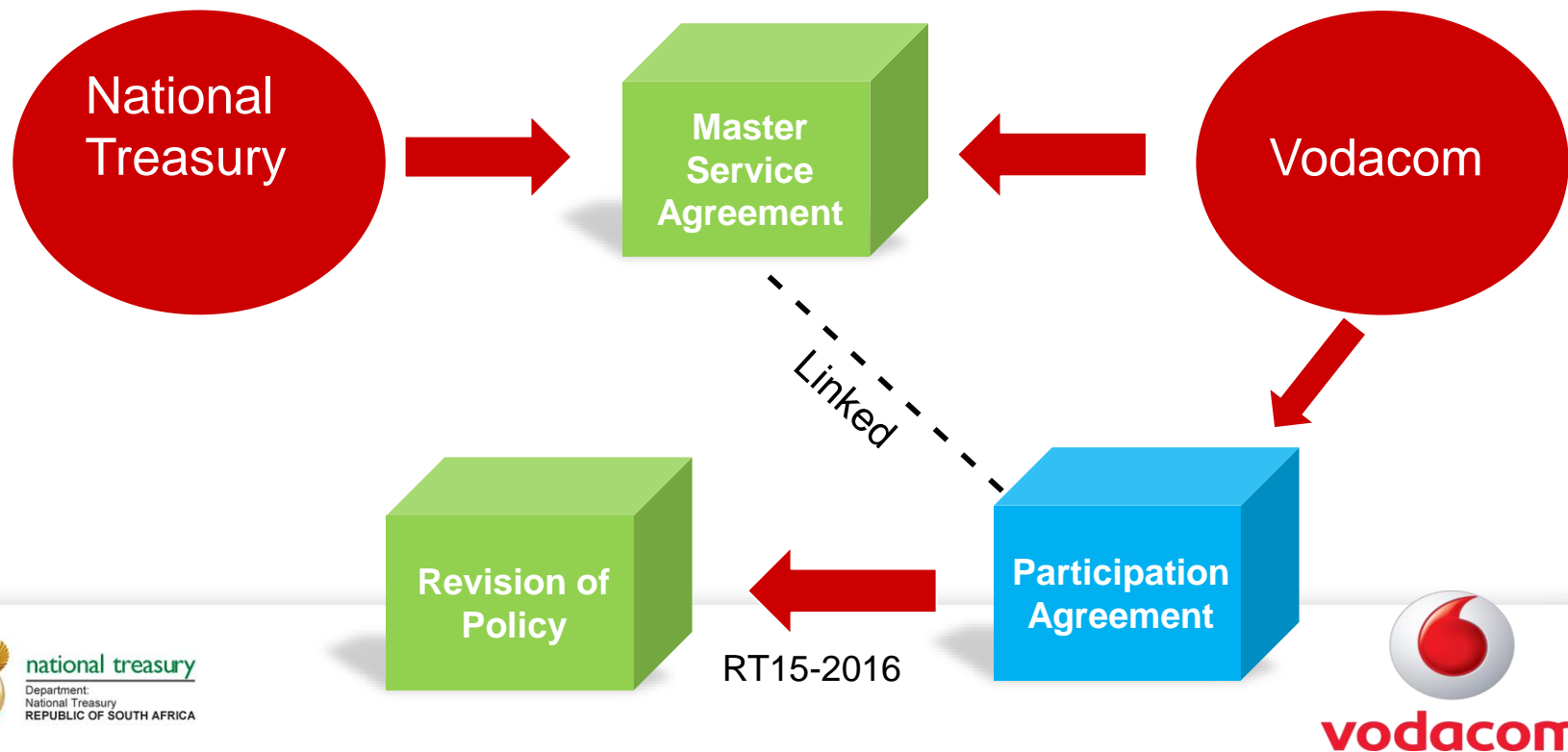
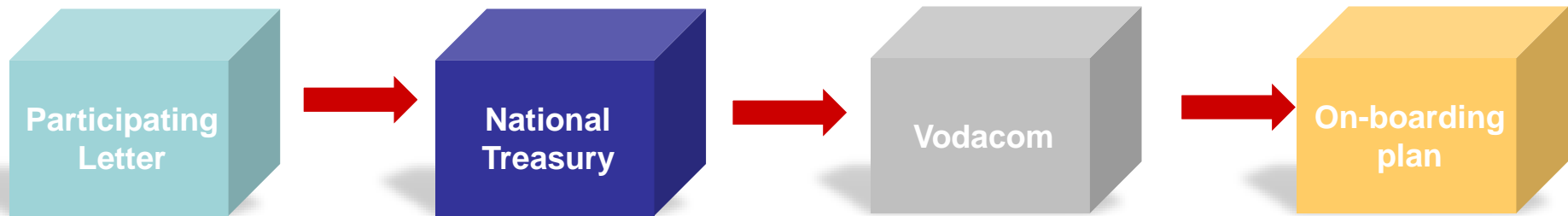
Email: henriette.liebenberg@treasury.gov.za



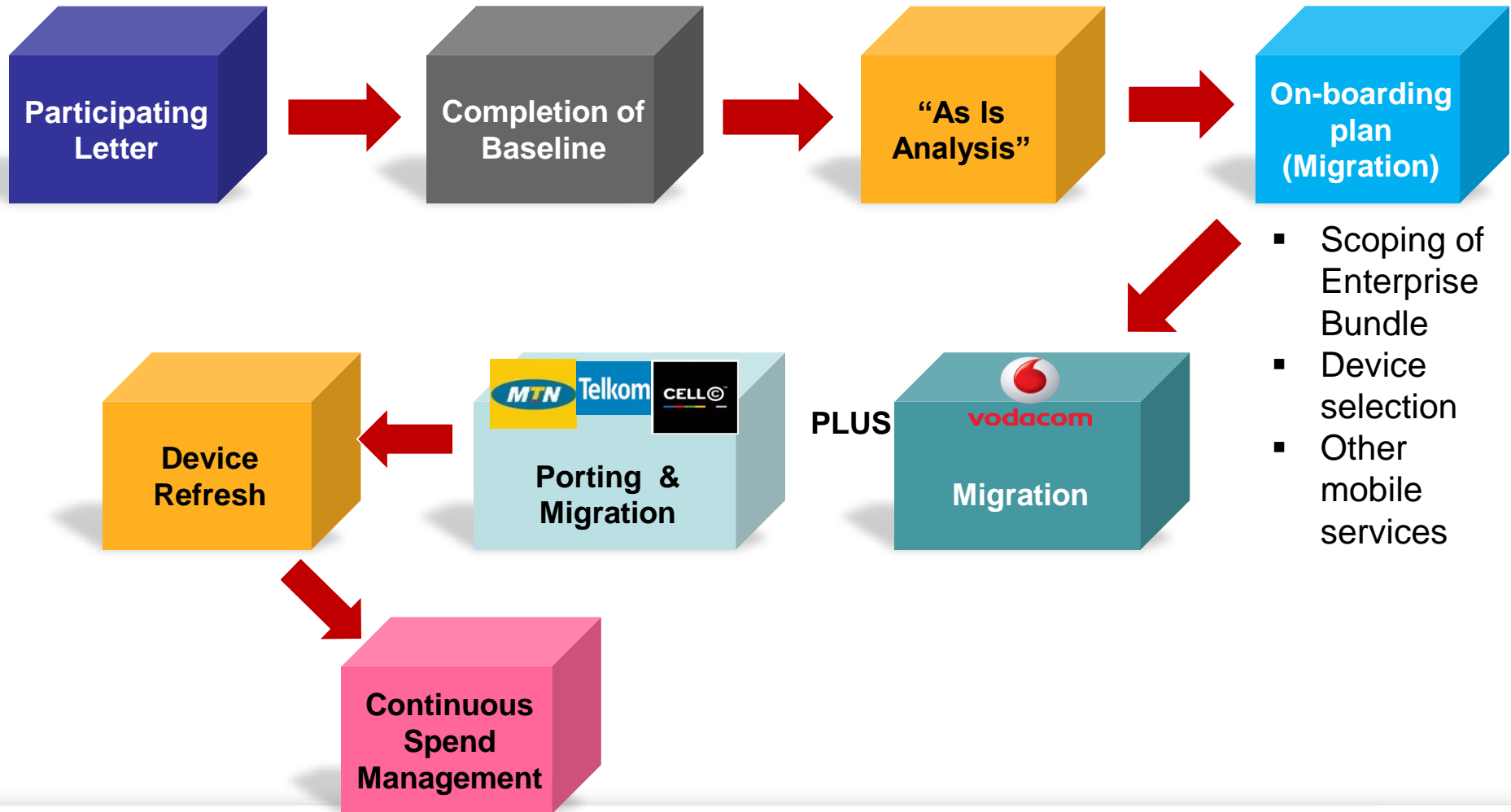
Keep
checking
the NT
website

Education and awareness sessions for individual State Institutions can be scheduled between a Tuesday to a Thursday weekly on request

Transversal Contract Participation and Contracting Outline



Sequence of Events



What if an Institution does not participate?



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Savings must be demonstrated!

Instruction Note 2 of 2016/2017 – Cost Containment Measures

- 4.28 If accounting officers and accounting authorities decide not to participate in the transversal term contract referred to in paragraph 4.27 of this Treasury Instruction, the accounting officers and accounting authorities concerned must report to the National Treasury, the discounts that will be achieved by their respective institutions prior to the conclusion of their mobile communication contracts. This information must be submitted to the National Treasury via e-mail to transversal.contracting@treasury.gov.za.

NB! The cost, time and effort of administering a competitive bidding process must be taken into consideration

NB! Turn around time of 3 days after reporting prior to conclusion

The Mobile Communication Services Solution



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Current solution of Individual Packages



Awarded solution of an Enterprise Bundle

EXAMPLES ONLY

Apple iPhone 4S (8 GB)
Min, 150 mb, 25 sms
R129pm



CAT S30
92 min, 500 mb,
25 sms
R319pm



Samsung Galaxy
S7 Edge 32GB
0 min, 1.0 GB,
unlimited sms
R649pm



- Single user accounts;
- Management of different packages;
- User selects the amount of voice minutes, SMS and Data applicable to the allowance allocated;
- Split Billing;
- Out of bundle rates charges



- Bundled voice, data and SMS at Departmental level
- Complete cost predictability as pricing is fixed for 3months with agreed increments managed through FUP
- Balances bundle inefficiency between users
- 10% fair usage amount over the allocated bundle size
- Low admin overhead
- Control of usage through Spend Manager;
- No out-of-bundle rates
- Closed User Group (CUG) 500 minutes included

Comparison of the actual packages

Chief Director previous mobile spend limit at National Treasury



BlackBerry Z3 at R500

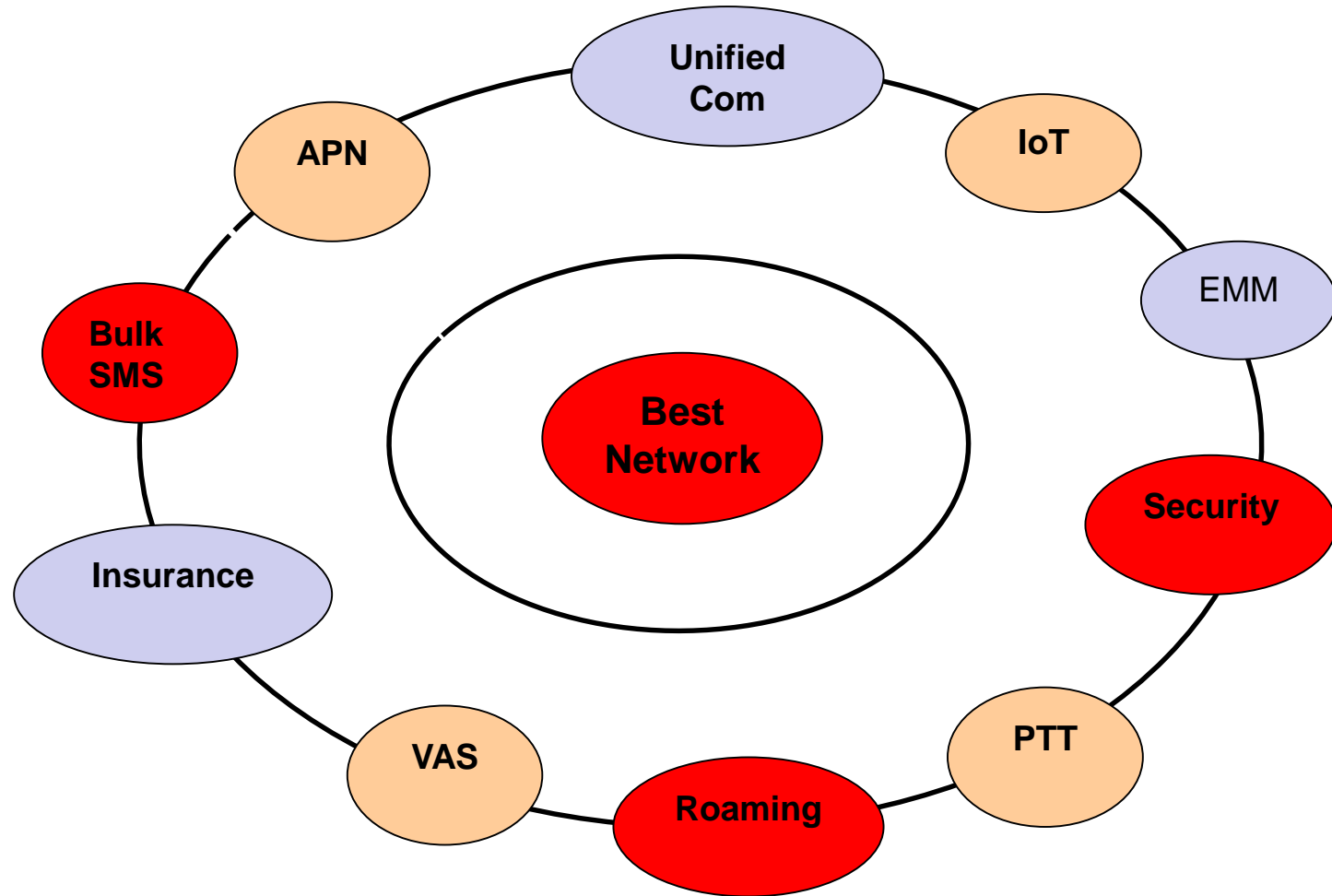
- 200 Voice
- 500 SMS
- 500 MB Data

Any qualifying mobile user except loyalty program members

Device at R463

- 400 Domestic Voice
- 100 SMS
- 600 MB Data
- 500 CUG Voice across Government
- Additional SIM cards

Other Mobile Communication Services Offered



Device Scenarios For Policy



Scenario 1

- Standardise on device manufacturer and negotiate device prices;
- Stock reservations guaranteed;

Scenario 2

- Standardise on Operating System (Windows, Apple and Android);
- Stock reservations guaranteed except for Android



Scenario 3

- No standardisation of devices, inability to negotiate prices;
- No stock reservations guaranteed

Policy to determine device per category according to the job requirements

Hardware Fund average of R3,500 (excl. VAT) per user

The Loyalty Program



1% of the department population qualifies for the loyalty programme. 0.5% for each of Onyx and Platinum

Onyx Benefits

- ✓ Annual Device Refresh
- ✓ Free SIM Card and Modem Replacement
- ✓ Free Replacement for Lost, Stolen or Damaged Device

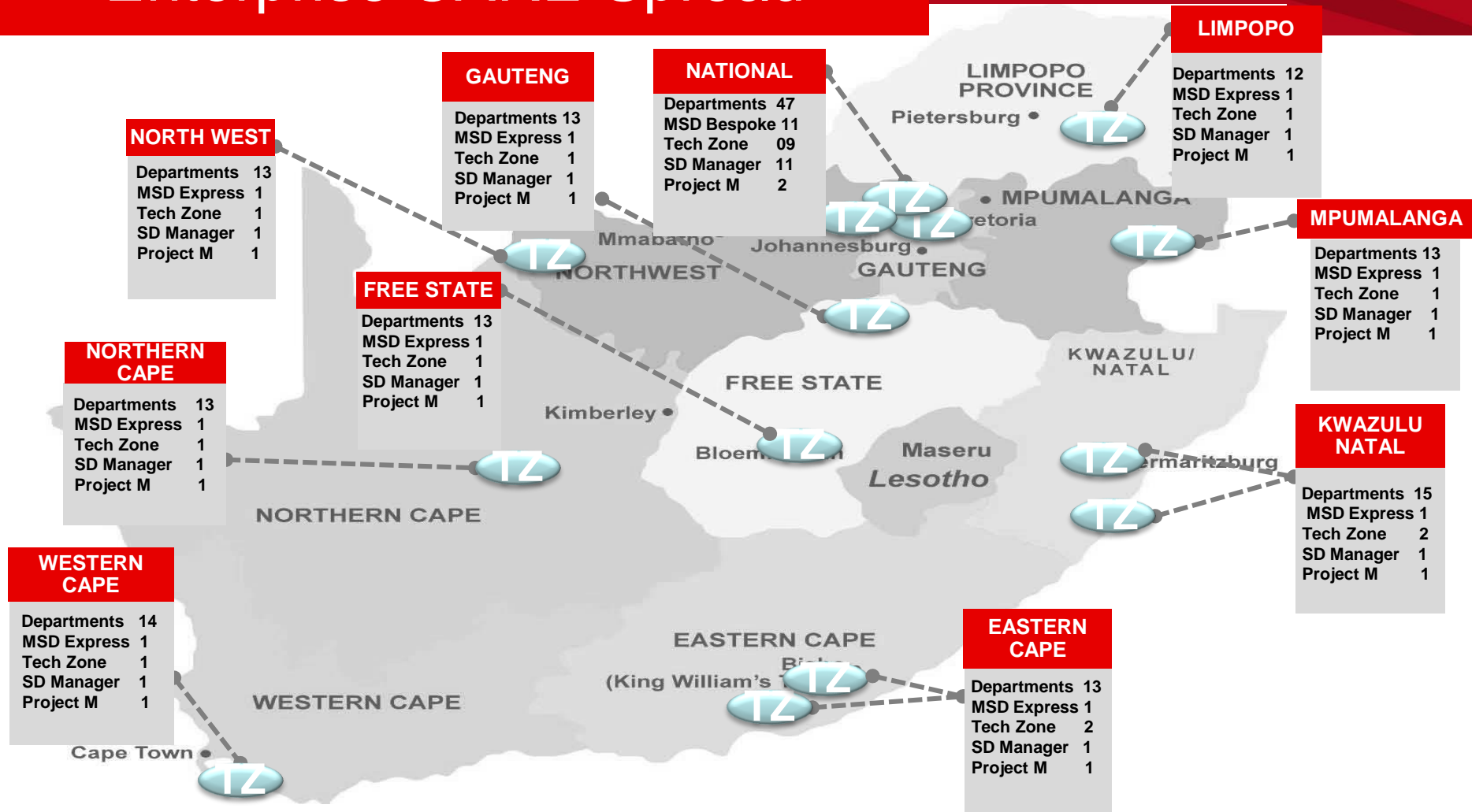
Platinum Benefits

- ✓ Annual Device Refresh
- ✓ Free SIM Card and Modem Replacement
- ✓ 30 days loan device for Lost, Stolen or Damaged Device

Seats allocation to be part of Departmental Telecommunications policy



Enterprise CARE Spread



The end

