Finance Committee

Date: **5 December 2017**

Item: **Access and Wide Area Network Contract Award**

This paper will be considered in public

1 Summary

1.1 This paper describes the approach and process undertaken to identify a new supplier for the provision and on-going management of TfL's outsourced commodity data network services (referred to as "Access and Wide Area Network" services) and makes recommendations on the contract award and granting of Procurement Authority to enter into the contract with the preferred bidder.

1.2 TfL's principal contract for outsourced network services (currently contracted with Fujitsu) will expire on 8 August 2018. The new contract needs to be entered into before the end of 2017 to enable the successful supplier seven months to complete their transition preparatory works.

1.3 The new contract will provide the means by which TfL will consolidate its numerous and sometimes duplicate outsourced commodity network services, thereby reducing cost while at the same time improving performance and security.

1.4 The Committee considered a similar paper at its meeting on 18 October 2017. The procurement process had not reached a conclusion at that time. The procurement process has now completed and the preferred bidder's identity and the financial details relating to the award are accordingly shared with the Committee for further consideration.

1.5 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of TfL and tenderers. Any discussion of that information must take place after the press and public have been excluded from this meeting.

2 Recommendation

2.1 The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda and grant Procurement Authority in respect of the award of a contract to the preferred bidder for Access and Wide Area Network services, in the sum set out in the paper on Part 2 of the agenda.

3 Background

3.1 A data network is a system of wired or wireless transmission links and supporting infrastructure which is used to transfer data between network-connected technology, such as PCs, printers, CCTV cameras and operational systems infrastructure.

3.2 These vital communication networks connect all of TfL's technology together and underpin a wide variety of services, ranging from operational systems through to the delivery of IT services directly to our customers.

3.3 There are two high-level categories of network service deployed within TfL today:

(a) commodity outsourced network services: these are typically above-ground network services which are most cost-effectively delivered via the market. These networks do not typically leverage TfL's rights of way across London and are predominantly delivered as managed services. TfL currently spends approximately £37m per annum on this type of network service; and

(b) custom built network services: these are typically below-ground network services which have been implemented as a component of an operational system e.g. a signalling system, and have typically been specified, designed, procured and managed locally wherever the need arose. These networks frequently leverage TfL's rights of way across London. TfL currently spends in excess of £119m per annum on this type of network service, however this figure would likely be substantially higher were it possible to identify and then separate out the network cost element from railway operations systems.

3.4 In May 2016, TfL's Executive Committee approved our first Telecommunications and Data Network Strategy. This strategy sets out our high-level approach to rationalising and consolidating our data networks, which will:

(a) reduce the cost of our network services by: (i) removing unnecessary network complexity and duplication, and (ii) maximising our buying power through the consolidation of network service contracts;

(b) reduce the time to market for new and changed services through the use of standardised network services; and

(c) present new opportunities to generate revenues through the exploitation of our data network infrastructure and rights of way across London.

3.5 The implementation approach set out within the data network strategy is based on four portfolios of activity. The first of these portfolios (and the subject of this paper) will consolidate our multiple commodity outsourced network service contracts onto a single, new, pan-TfL network service contract. The strategy proposes that this be done by taking advantage of the in-flight re-procurement of TfL's largest outsourced network service contract (with Fujitsu) to secure a new contract through which we can consolidate the majority (if not all) of our commodity network service requirements.

3.6 In addition to our commodity outsourced networks, the other portfolios of activity set out in the data network strategy are addressing:

(a) networks that TfL owns: these networks are primarily used for the delivery of operational services, the largest of which is Connect, TfL's contract for communications on the rail and underground networks. Our approach to Connect is being progressed separately through the Finance Committee;

(b) the use of our estate to deliver networks for third parties: the Home Office require a new Emergency Services Network (ESN) to provide radio services for the police, fire brigade and other emergency services. Our approach to ESN is being progressed through the Programmes and Investment Committee; and

(c) commercial exploitation opportunities: the use of our rights of way to deliver high speed data network backbones and public cellular services inside London Underground tunnels is the subject of a separate programme of works being led by Commercial Development. Our approach to commercialising our rights of way and network assets is the subject of a separate agenda item for this Committee meeting.

3.7 It is our expectation that (unlike commodity network services which can just as effectively be purchased directly from the market by other organisations) these three portfolios will together present unique opportunities that may generate commercial value for TfL. More detail on this will be shared with the Committee as these portfolios mature.

3.8 The value of the proposed contract requires that the Committee grant Procurement Authority prior to notifying bidders of any award decision and entering into the contract.

4 Tender Process and Timetable

4.1 The Access and Wide Area Network procurement was launched via publication of a contract notice in the Official Journal of the European Union in July 2015 and followed by a Competitive Dialogue procedure.

4.2 Throughout the procurement process input and assurance was provided in regard to the approach, strategy, tender documentation and tender process by external procurement/commercial advisors and legal advisors.

4.3 All issues arising from the real-time procurement audit to which this procurement process has been subject have either been, or are in the process of being, resolved. TfL Assurance and an external expert conducted a Targeted Assurance Review on 1 June 2017, which focussed on five lines of enquiry prior to release of the invitation to submit final tenders (no issues found). A second, Integrated Assurance Review was undertaken on 19 October 2017 and actions are planned or underway in response to the findings of that review.

5 The Proposed Contract

5.1 Our approach has been to define up-front as many of our requirements as possible and then lock them down within a TfL authored contract. This approach has provided a high degree of certainty regarding the key terms and conditions of the contract.

5.2 The key aspects of the contract are summarised below:

(a) the initial term of the contract will be for five and a half years, with options for TfL to extend for up to five further years in minimum one year increments (or longer increments as determined by TfL);

(b) the services comprise Wide Area Networks (networks between our sites), fixed and wireless Local Area Networks (networks within our sites), and other support services such as internet and third party connectivity services;

(c) the "base scope" that we are contracting at contract signature will be the services currently delivered though our outsourced network service contracts with Fujitsu and Level3;

(d) mindful of our strategic objective to consolidate TfL's multiple outsourced network service contracts, the network requirements of the Jubilee, Northern and Piccadilly lines (JNP) and Surface Transport have also been included within the scope of the contract, and those services will be migrated to the new supplier when those contracts expire. These optional "extended scope" services are fully defined and priced in the contract and will be called off on a "price times quantity" basis as and when they are implemented;

(e) the supplier will be responsible for:

(i) transition: the take on of the services from the incumbent providers;

(ii) transformation: the technical refresh and simplification of our overly complex infrastructure; and

(iii) ongoing operation and maintenance activities; and

(f) flexibility is key given the likely further consolidation of data network services over the coming years. The contract therefore:

(i) is based on a catalogue of commoditised services, the consumption of which can be scaled up or down in line with TfL's requirements;

(ii) allows us to partially terminate the contract (by service component), allowing us to migrate services to alternative networks at minimum cost;

(iii) ensures that we retain ownership of our assets, allowing redeployment on alternative future networks as appropriate; and

(iv) includes variation and volume rebate principles to maximise the benefits to be gained by consolidating services / adding volume.

6 Benefits

6.1 The new supplier will be responsible for transforming our existing commodity network infrastructure, standardising the technical solutions deployed across the TfL estate and ensuring that our technical infrastructure is supportable. This will result in:

(a) reduced operating costs: as set out in the paper included on Part 2 of the agenda;

(b) assured ongoing security: a substantial number of our network assets are approaching the end of their usable life and need to be replaced in order for us to assure the ongoing security of our data networks; and

(c) increased availability and reliability: many of our network assets are ageing and prone to increasingly frequent failure. A technology refresh will not only address reliability issues, but standardisation of the technical solutions will reduce the time taken to rectify failures on these non-critical services.

6.2 The contract will deliver a catalogue of clearly defined standard technical services with service level agreement-backed delivery timescales. This will reduce delivery timescales and make project delivery timelines more predictable.

6.3 The service level agreement regime within the contract considers the services from an end-to-end perspective rather than by individual technical service. This incentivises the supplier to deliver services in a way that will improve the end-user experience.

6.4 For London Underground locations, we are adopting a hybrid technical approach whereby we will utilise our Connect network to provide backup connectivity. This approach will not only minimise costs, but will also deliver the highest possible level of service resilience. This hybrid approach is also a step forward in bringing our diverse and currently separate networks together.

6.5 The contract is based on best practice service management principles which aim to drive a high level of service performance. This, together with the flexible options to vary in new services during the contract term, means that the scope of services delivered through the contract is scalable and allows us to efficiently include the management of other network services (such as Connect or ESN-related services) should the strategies for those services require it.

List of appendices to this report:

Exempt supplementary exempt information is included in a paper on Part 2 of the agenda.

List of Background Papers:

Telecommunications and Data Network Strategy – May 2016
Independent Investment Programme Advisory Group (IIPAG) and Programme Management Office (PMO) Reports
Management response to IIPAG and PMO Reports

Contact Officer: Shashi Verma, Chief Technology Officer
Number: 020 3054 0709
Email: ShashiVerma@tfl.gov.uk