

Telstra wins Fairfax telco deal

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Telstra has beaten off a challenge by Optus for the telco business of John Fairfax Holdings, securing a four-year contract from the newspaper publisher with an estimated value of about \$40 million.

The contract, awarded last Wednesday, covers voice, data, mobile and internet services and a planned upgrade to an IP network architecture. It also includes an option to extend for a fifth year.

A Fairfax spokesman said that the company, publisher of The Australian Financial Review, had secured "substantial cost reductions over current expenditure levels".

The decision by Fairfax comes amid a rash of activity in the telco services market. Companies including St George Bank, Toll Holdings, computer services supplier CSC and government agencies are challenging carriers to deliver lower prices and better services to secure contracts that will provide assured revenue over several years.

Consultants that specialise in advising companies on sourcing strategies say that signing up a single supplier to deliver all telecommunication services can deliver savings of up to 25 per cent.

Telstra announced last month that it had won a \$7 million, two-year contract from the Australian Broadcasting Corporation. The telecommunications carrier also confirmed that it would lead a consortium bidding for a \$25 million contract for information and communications services that had been put out to tender by the Northern Territory government.

Westpac and the Commonwealth Bank are also considering their options. Their existing five-year contracts, with Telstra and Telecom NZ respectively, are due to end next year.

Optus is believed to have been the only other carrier to bid for the Fairfax business. Telecom NZ, which supplies services to the Fairfax operations in New Zealand, did not compete.

Fairfax declined to put a value on the contract. However, the company's annual report shows that it spent \$10.15 million on telecommunications in the 12 months to June 30 last year, down from \$11.89 million in the previous financial year.

Fairfax evaluated the bids for its telco business using Tendermax software, an analysis and comparison system which compares each bid based on the same selection criteria and weightings.

The software, developed by an Australian company, DecisionMax, is also used by St George Bank, Axa, BHP Billiton, Boral and Santos. The developer reports that the Queensland, Victorian and NSW health services are using the product to help standardise their procurement activity.

Some local councils in the United Kingdom have also picked up the product. The software enables response times to bids to be cut by as much as 80 per cent by automating the tender process.

Fairfax posted its request for proposals on March 12. The bids were received on April 13 and the decision was made by the end of June.

KEY POINTS

- Fairfax claims big cost savings in a new telco agreement with Telstra.
- Consultants say single suppliers of telco services can cut costs by 25pc.
- Evaluation software can cut bid response times by up to 80pc.