



NEWS RELEASE

Department of General Services

DATE: Tuesday, July 21, 1998
FOR RELEASE: IMMEDIATE
NUMBER:

INTERNET: www.governor.ca.gov

**GOVERNOR WILSON ANNOUNCES INTENT TO OUTSOURCE STATE PHONE SYSTEM:
ADVISORY PANEL RECOMMENDS PACIFIC BELL/MCI TEAM**

SACRAMENTO - Governor Pete Wilson today announced that a Department of General Services selection panel has recommended the team of Pacific Bell and MCI provide voice, data and other telecommunication services to state government, replacing the state-owned CALNET system. Following administrative review, a formal "Intent to Award" is expected in the next week. That contract, valued at \$929 million, will give state offices access to the most advanced technology available, while saving taxpayers an estimated \$117 million over the next ten years.

"This is what competitive government is all about," said Wilson. "Better service at a lower price."

The recommendation was announced in a State Capitol news conference attended by Department of General Services (DGS) Director Peter Stamison, Department of Information Technology (DOIT) Director John Thomas Flynn, DGS Telecommunications Chief Wendell McCullough and representatives of Pacific Bell/MCI.

Pacific Bell/MCI was recommended for the 10-year contract by DGS following an exhaustive evaluation process that began in early 1997. Eleven prospective bidders took part in the first round of evaluations, with teams from Pacific Bell/MCI, AT&T and GTE competing head to head in the final round.

Pacific Bell/MCI was rated first in technical proficiency and lowest in price of the three bidders.

The winning bidders will serve as the state's primary vendor to provide long distance and local calling services, data services, internet service, video conferencing, calling card services, and statewide billing services to state agencies, local governments, and schools. Public sector agencies outside of state government also will be able to take advantage of cost savings in the new contract.

Outsourcing the state's telecommunications network was recommended in late 1995 by the Governor's Council on Information Technology as a means of giving state government cost-effective access to the latest technology, while avoiding ownership of obsolete or obsolescent equipment. This was reinforced the following year and made part of Governor Wilson's "California Competes" initiative.

"Running a telephone company is not a 'core competency' of state government," said Stamison. "Businesses and consumers benefit every day from the highly competitive telecommunications marketplace we currently enjoy. With this, California taxpayers will benefit, as well."

"State government is getting out of the phone business," said Flynn. "And as a result, we will have access to a modern integrated voice and data network at a cost taxpayers can afford."

After a formal award and contract have been issued, switchover would be phased in over the course of a year. No layoffs of state workers are expected.

CALNET is a state-owned telecommunications network providing telephone services to 300,000 government customers in California. These services include local and long distance phone calling, data transmission, Internet access, calling cards and video conferencing. CALNET is currently operated by the Department of General Services. If it were an independent entity, it would be the third largest telephone company in California,