

KNOWLEDGE CENTRE

Procurement Method**PM:2**

Relevant Facts or Questions Asked

A Procuring Entity (PE) sought guidance as follows:

- I. Guidance is required concerning the appropriate procurement approach for acquiring mobile communication devices. The last Closed User Group (CUG) contract was executed in 2019. Since that time, the entity has continued to utilise the services through informal renewals and payments, while procuring mobile devices from local phone distributors rather than the authorized CUG service providers, Digicel or Flow.
- II. Based on the most recent assessment of our mobile device inventory, the replacement of devices will need to be implemented on a phased basis, with Phase 1 scheduled for 2026 and Phase 2 for 2027. In the interim, the organisation requires a minimum of ten (10) additional devices to meet immediate operational needs.
- III. Advice is thus required regarding the most appropriate procurement process to follow in these circumstances. Specifically, we seek clarification on whether the CUG arrangement may be treated as a service-based procurement, inclusive of the additional devices now required, or whether the devices should instead be procured separately through a standard goods procurement process outside of the authorised CUG service providers for devices and services (Digicel and Flow)."

Advice

1. Based on the circumstances described, the primary procurement requirement relates to the establishment of a Closed User Group (CUG) telecommunications service arrangement for the organisation.
2. In the Government of Jamaica context, CUG contracts are typically telecommunications service procurements, which may include the provision of mobile devices and related accessories as part of the overall service package offered by the telecommunications provider.
3. Accordingly, while mobile devices constitute goods in isolation, they are often supplied as part of a bundled telecommunications service arrangement, and therefore the procurement is generally treated as a service-based procurement for telecommunications services.

Status of the Existing CUG Arrangement

4. It is noted that the last formal CUG contract was executed in 2019, and the services have continued through informal renewals and payments. From a procurement governance standpoint, a procurement contract should arise from proper procurement proceedings conducted under the Public Procurement Act and Regulations.
5. Continuing services through informal renewals without a valid contract instrument presents a compliance risk and should be regularised through a new procurement process. Accordingly, the entity should initiate a new procurement process for telecommunications services (CUG) rather than continuing under the expired arrangement.

Nature of a Closed User Group (CUG) Procurement

6. A CUG arrangement is fundamentally a telecommunications service contract, which may include:
 - Voice/data plans

- Network access
- Account management
- SIM provisioning
- In some cases, bundled handset supply

However, the principal subject matter of the procurement is the telecommunications service, with mobile devices sometimes provided as part of the service package.

Procurement of Mobile Devices

7. The acquisition of mobile devices (handsets) constitutes a procurement of goods. Under the procurement framework.

- Goods and services fall within the competition thresholds and procurement methods outlined in the Regulations.
- The applicable procurement method must correspond to the relevant threshold for goods procurement.

Therefore, if devices are procured outside of a service contract, they should be treated as a standard goods procurement.

Whether Devices Can Be Included in the CUG Procurement

Going forward, the Procuring Entity should have an integrated CUG Procurement as this generally offers the best value for money. The Procuring Entity should therefore conduct a new procurement for telecommunications services, where the solicitation:

- Establishes a CUG service contract; and
- Allows the service provider to supply devices as part of the arrangement.

Advantages:

- Ensures compatibility with network services;
- Allows lifecycle device replacement; and
- Simplifies contract administration.

Immediate Need for Ten (10) Additional Devices

8. For the immediate requirement:

- The entity may undertake a small goods procurement for the ten devices using the procurement method corresponding to the estimated value. This should be treated as an interim procurement pending the establishment of a new CUG arrangement.

Phased Device Replacement (2026–2027)

9. Since the replacement is planned in two phases, the entity should incorporate this requirement in the new CUG procurement by:

- Stating the estimated total device requirement; and
- Allowing phased delivery during the contract period.

This ensures:

- Transparent competition.
- Budget predictability.
- Proper contract management.
- The best value for money is obtained.

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