

EXECUTIVE COUNCIL

PUBLIC

Title:	Broadband Provision
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Responsible Director:	Director of Development & Commercial Services
Report Authors:	Director of Development & Commercial Services
Portfolio Holder:	Honourable MLA Elsby
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Publication:	Yes with redactions <i>Under Executive Council Standing Order 23(2), Executive Council must have regard to the categories of exempt information in Schedule 3 to the Committees (Public Access) Ordinance when determining if information should be withheld</i> <i>The categories which are potentially relevant to this paper are:</i> Paragraph 9: Information about others' financial and business affairs
Previous papers:	None
List of Documents:	None

1. Recommendations

Honourable Members are recommended:

- (a) To approve Option 1, 2 or 3 as set out in this paper and fund an annual sum of between £1,000,000 and £1,190,000 (depending on the option chosen) for the next three years (totalling £3m to £3.57m), starting from 1st December 2019, to increase broadband provision for Sure broadband packages;
- (b) To fund a one-off capital sum of £105,000 for network upgrades to allow for increased broadband provision;

- (c) To authorise the Director of Development & Commercial Services to negotiate and agree final terms for the contract with Sure South Atlantic Ltd;
- (d) Refer the matter to the Standing Finance Committee for Financial Approval.

2. Additional Operational and Capital Programme Budgetary Implications

	2019/2020 OpEx (£)	2020/21 OpEx (£)	2021/22 OpEx (£)	2022/23 OpEx (£)
Additional New Money	500,000 - 595,000	1,000,000 - 1,190,000	1,000,000 - 1,190,000	500,000 - 595,000

	2019/20 CapEx(£)
Additional New Money	105,000

The capital cost of £105,000 is a one-off expenditure related to upgrades to the network and Earth Station. The Operational costs are for FIG to pay for increased broadband capacity to the Falkland Islands, which will be reflected in increased data provision in consumer packages.

3. Executive Summary

- 3.1 The FIG/Sure exclusive licence of 2015 contained agreed annual satellite capacity increases (broadband data and speed increases) from 2016 to 2019. Due to location, broadband provision to the Falkland Islands is more constrained than that available in the UK and other mainland locations.
- 3.2 Data capacity and speeds under the current licence obligation have increased considerably since 2015 when the licence was signed. Broadband prices have remained static since 2012, while data increases from 2016 to 2019 have doubled quotas across packages for the same price. Further increases in quotas and speed will need FIG investment or would require significant price rises to consumer packages.
- 3.3 Overall international data bandwidth has increased by 325% since 2015. Individual download speeds have increased from a range of 512Kbps - 2Mbps (depending on package) to 1.35Mbps - 5.25Mbps over the same period.
- 3.4 Sure currently has 1,800 broadband subscribers within the terms of the licence. 67% of these subscribers are on Bronze Package or above. The Stanley infrastructure and Camp MSAN (Multi-Service Access Node) locations are capable of speeds up to 20Mbps, with other Camp Wimax locations capable of speeds up to 5Mbps.
- 3.5 In a side letter to the main licence, FIG and Sure agreed to conduct a strategic review in 2019 to assess longer term provision of international connectivity. This review was planned to coincide with the expiry of Sure's current contracts for satellite provision in December 2019, with the aim to inform Sure's contractual procurement for satellite provision for the next three years.

- 3.6 Considerable work has been undertaken since 2018 as part of this review. It commenced with soft market testing undertaken jointly by FIG and Sure in 2018, to benchmark market interest and costs. The proposals included a variety of technology options, and costs varied depending on the capacity increases modelled and lengths of contract. A workshop was held with MLA's in February 2019 to feedback on the results of the soft market test and to update MLA's on work being undertaken for the satellite review. Specialist telecoms consultants have been involved and have worked closely with FIG and the Communications Regulator to conduct the review.
- 3.7 Work continued in 2019, with extensive public and stakeholder engagement during Communications Week in March. A Household User Habits Survey was undertaken by the Communications Regulator from February to April. Feedback from all sectors of the public indicated a wish to increase broadband capacity, but without price increases. 66% of respondents stated that they were not prepared to pay any more as costs were already high. 13.52% of respondents stated that they might be prepared to pay up to 10% more.
- 3.8 Assessments have been carried out during 2019 to further investigate options and costs for both cable and satellite. The results of this work were presented to MLA's in a workshop held in July 2019, and options were shortlisted to those set out in the Options section below. The costs shown are costs for FIG to secure the increases to bandwidth.
- 3.9 An early decision by FIG in line with paragraph 3.10 will allow amendments to broadband packages to be launched by 1st December 2019. The new contractual arrangements between FIG and Sure would be for a three year period, which is a timeframe in which significant advances are expected in satellite technology; with more options for greater capacity at lesser cost. During this three year period the national Broadband Strategy will also be developed, assessing all broadband options for the longer term.

4. Economic Development Background (and Links to Islands Plan)

- 4.1 The Islands Plan 2018-2022, Transport & Communications: *'Improve regulation of the Falkland Islands' telecommunication services to improve delivery, and work with partners to further advance service quality, increased capacity, coverage and value for money'*. Investing in additional capacity would support this objective from the Islands Plan.

5. Options and Reasons for Recommending Relevant Option

- 5.1 Option 1 – Satellite broadband: Double data quotas for Bronze and above, 33-44% data increase for Starter and Lite packages, 10% package price increase (£1m p.a.)**

This option would double data quotas for 67% of subscribers (Bronze Packages and above). The Starter package data quota would increase from 3,000MB to 4,000MB; and Lite from 9,000MB to 13,000MB.

The Contention Ratio ¹would improve by 50% for everyone, which would greatly improve the user experience by helping relieve congestion at peak periods and ensure more people could achieve the speeds available within their packages. Speeds would

¹ **Contention Ratio** is the number of users sharing the same data capacity. The lower the **contention ratio** the higher the quality of service. For example, a 50:1 **contention ratio** means that up to 50 broadband customers are sharing the same bandwidth at any one time.

increase by between 20% - 40% for Silver and Gold packages. Further speed increases could be made and this will be reviewed after an initial period once it is understood how consumers are using the increased data allowance. Customer package prices would increase by 10% with this option, to maximise benefits to consumers while limiting the FIG annual contribution to £1m. There would be an additional £105,000 capital set up cost required immediately at the start of year 1 to make necessary upgrades to the network.

While a 10% price increase could be considered reasonable in light of broadband package prices having remained the same since 2012, a 10% increase at one time could have a negative impact on some consumers, despite the benefits in data quotas and quality of service improvements that would be gained.

5.2 Option 2 Alternatively, if MLA's wished FIG to absorb the 10% package price Increase, the annual cost for this option would rise by £190k to £1.19m p.a

5.3 Option 3 - A third option would be to increase package prices by 10% for Bronze packages and above, which will have their quotas doubled, and retain current package prices for Starter and Lite, while still implementing the data increases as described in 5.1 This option would incur additional costs of £42k over the £1m; totalling £1.042m p.a.

5.4 Option 4 - Do nothing.

FIG can choose to do nothing, and consumers will see no further increases in their data or speed within their packages. The current Price Cap comes to an end on 31 December 2019.

A summary of the satellite options 1 to 4 is given in the table below

	Option 1	Option 2	Option 3	Option 4
Cost to FIG per year	£1,000,000	£1,190,000	£1,042,000	£0
International Capacity Increase	97%	97%	97%	TBC
Download Speed (Mbps)	1.35-7	1.35-7	1.35-7	1.35-5.25
Data Plans (GB)	4-330	4-330	4-330	3.15-110
Cost to consumer	10% increase	No cost increase	10% increase for Bronze and above. No increase for Starter & Lite	TBC

Summary of Options: For a FIG fixed financial contribution of between £1, and £1.19m p.a. for three years, there will be a significant increase to data capacity and an improvement to quality of service as a result of the Contention Ratio improvement. This would offer 67% of consumers and businesses double the capacity they have currently.

This improvement could form the first phase of a new National Broadband Strategy. The Strategy will be further mapped out by the Communications Regulator and FIG during 2020, with the longer term aim to consider an ‘unlimited’ type user experience for broadband as technology and funding permit.

6. Resource Implications

6.1 Financial Implications

	2019/2020 OpEx (£)	2020/21 OpEx (£)	2021/22 OpEx (£)	2022/23 OpEx (£)
Additional New Money	500,000 - 595,000	1,000,000 – 1,190,000	1,000,000 – 1,190,000	500,000 - 595,000

	2019/20 CapEx (£)
Additional New Money	105,000

The Capital cost of £105,000 is a one-off expenditure related to upgrades to the network and Earth Station. The Operational costs are for FIG to pay for increased broadband capacity to the Falkland Islands, which will be reflected in increased data provision in consumer packages.

The overall cost of up to £3.6m across three years is a material cost to be considered in terms of impact on operating costs for FIG. There is also an ancillary issue of the impact that an increase in capacity of broadband can have upon reducing the rate of inflation across the basket of goods.

6.2 Human Resource Implications

None.

7. Legal Implications

7.1 A new contract with Sure will be approved by the A.G by 1st December 2019.

8. Environmental & Sustainability Implications

8.1 There are no environmental and sustainability implications.

9. Consultation

9.1 The Director and Deputy Director of Development & Commercial Services, in conjunction with the Attorney General and the Communications Regulator have consulted with MLAs.

10. Communication

10.1A public announcement will be made at the appropriate time.