Telecommunications

Public Meeting
14 November 16





Agenda

- Background and context
- Priorities and negotiation process
- Telecoms Licence - key points

--- Interlude for Q&A ---

- Overview of new Communications Bill
- Towards more effective regulation
- The future

Navigation

Communications Bill

- Provides framework for regulation of whole sector
- Recognises public assets
- Technology neutral
- Defines ‘proactive’ regulator
- Data retention, disclosure, privacy
- Provision for Telecoms Appeal Panel

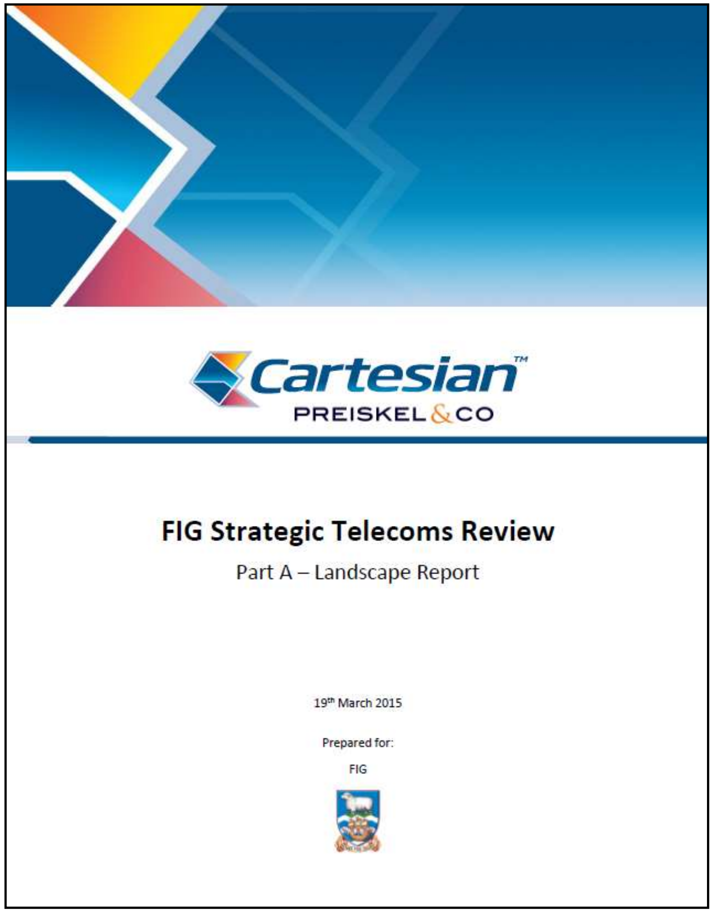
Sure’s Operating Licence

- Exclusive in some areas (defined fixed/mobile telecoms services)
- Non-exclusive in others
- 12 years with 2 year notice period
- Service improvements, obligations, performance and fines
- New price cap
- Detailed role of regulator

The process began in 2014

- **August 2014: Commissioned Strategic Review of Telecoms**
  - Included engagement with public and business community
- **Spring 2014: Survey of Business and Residential Consumers**
- **February 2015: Cartesian report draft findings**
- **March 2015: Final reports from Cartesian**
  - Part A: Landscape and priorities (published)
  - Part B: Strategic options analysis and commercial approach (not published)
- **April 2015: ExCo agree that officers initiate commercial process with Sure regarding new licence**

Cartesian identified six key priority issues…



1. Increased broadband monthly allowances
2. 'Fair' retail pricing and toothier price cap regime
3. Increased access speeds and service
4. Wider mobile coverage
5. Increased international capacity
6. Replacement of end-of-life and obsolescent equipment

- **Immediate and sustained investment needed to deliver these objectives**





…which resonate with the findings from the public consultation

1. **Substantial increases in broadband data allowances**
   - Increasingly, broadband is an essential utility
   - 2014 data packages very limited and falling behind rest of world
2. **Expanding mobile network and introducing mobile data**
   - Much of Camp not covered by mobile network
   - Recognition that existing mobile network needed replacing as obsolescent
3. **Reducing overage and ‘billshock’**
   - Over-package data use prevalent and punitive in terms of cost (up to £100/GB)
   - Consumers often faced very large overage bills or cease Internet use
   - Needed to enable choice for consumers and in-month data top-ups

Cartesian evaluated five strategic options…

- Serve notice on Sure and initiate competitive process for new exclusive licence
- Unbundle provision of telecoms services and introduce some element of competition
- Structural separation of wholesale (international satellite connection) and retail (service to consumers on the Islands)
- Nationalise the telecoms service
- Negotiate directly with Sure for new exclusive licence with defined priorities

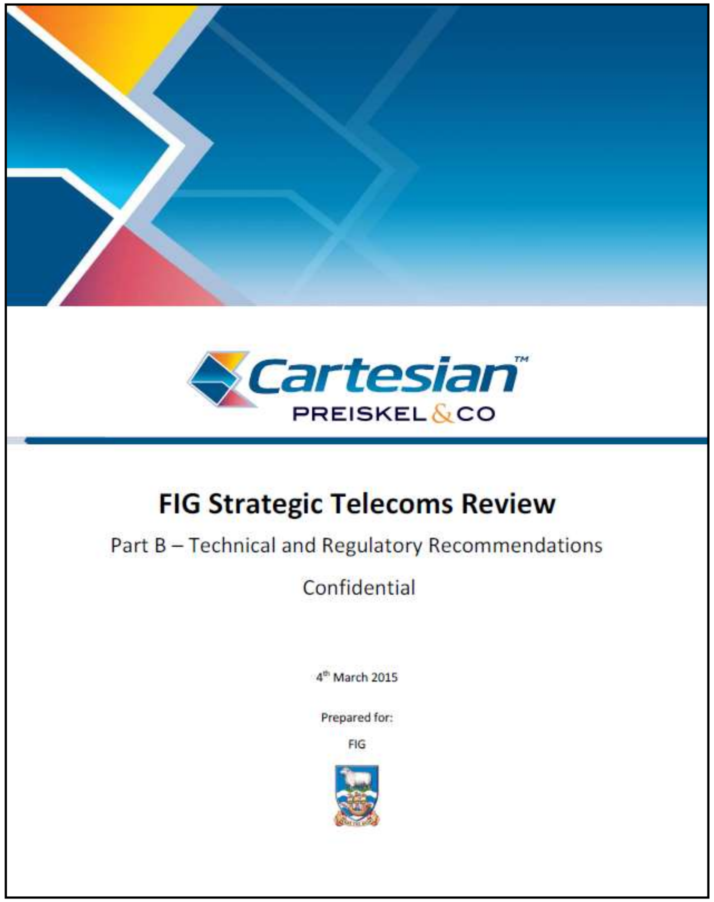

Cartesian™ PREISKEL & CO

FIG Strategic Telecoms Review

Part B – Technical and Regulatory Recommendations

Confidential

4th March 2015

Prepared for:

FIG





…and recommended negotiation with Sure

- FIG economic analysis aligned with recommendation from consultants
- Very small market for telecoms on the Falklands
- Geographically spread population
- Policy principle for Universal Service Obligation
- Option preserved to compete exclusive licence or unbundle if negotiated agreement with Sure could not be reached





New price control regime to protect consumers and ensure investment

- In recent years, Sure’s operations in the Falklands have lower rates of capital intensity and higher rates of return than other benchmarked companies
- In FIG’s assessment (based on external advice) this is likely due to three factors:
  - Lack of investment from C&W then Sure nearing end of licence
  - Insufficiently robust price cap in previous regime
  - ‘Windfall’ revenues for Sure from oil rounds
- Under the new licence there would be a new price cap with a focus on necessary investment and on substantial broadband increases
- The formula for this was based on a set of assumptions in terms of costs, revenues, investment and acceptable rate of return
- The price control mechanism is designed to protect consumers from ‘monopoly excess’ while incentivising Sure to be efficient and innovative





A number of interactions were held with Sure between May and November 15

Date	Activity
May 15	Sure invited to submit initial proposal
Jun 15	Discussions with Sure/Batelco
Jun 15	FIG and Sure meet satellite providers to discuss options
Aug 15	Sure requested to improve proposal substantially
Sep/Oct 15	Improved proposals from Sure with more concrete proposal
Nov 15	Negotiations with Sure/Batelco to improve offer further
Nov 15	Best and final offer
Dec 15	ExCo approved key points of offer in principle subject to licence

- **Cartesian provided technical advice and due diligence at key points to help validate viability and cost implications of proposals**

The detail of the draft licence has recently been completed

- **Licence drafted by external experts and contains a number of areas:**
  - Service improvements and obligations on Sure
  - Licence term and notice period
  - New Price Cap arrangements
  - Key Performance Indicators
  - Requirements on transparency
  - Change in control limitations
  - Exit provisions

There will be substantial increases in broadband allowances

Package	Starter	Lite	Bronze	Silver	Gold	Platinum
Monthly Price	£15*	£37*	£75*	£180	£300	£425
Data Quota 2015 (GB)	*0.70*	*2.00*	*5.15*	*10.50*	*18.75*	*31.25*
Jan 2016 Data Quota (GB)	1.5	4.5	9	22.5	37.5	52.5
Jan 2017 Data Quota (GB)	2	6	12	30	50	70
Jan 2019 Data Quota (GB)	3	9	18	45	75	105

- **Those packages marked * also had a small price reduction**


Changes to address overage and billshock

- **First, reduction in overage charges already introduced to cap charges at £70/GB for smaller packages (down from £100/GB)**
- **Second, the introduction of a web portal in 2017 to prevent overage charges without explicit consent of consumer – through an 'opt in' web portal**
- **Third, and most useful, the introduction in 2017 of data top-ups within a month to allow consumers to purchase extra data at £15/GB**

Replacement and expansion of mobile network

- **The legacy mobile network will be replaced with a modern 4G network which will enable mobile data in Stanley, MPC, Goose Green, Port Howard and Fox Bay**
- **New infrastructure will be installed for 2G mobile (voice) to deliver the following benefits:**
  - Improve coverage in the north Camp (roads and communities)
  - Extend coverage to Hill Cove and other communities on the northern coast of West Falkland, Saunders, Carcass and Pebble Islands (including roads)
  - Provide coverage to the North Arm settlement
  - Improved coverage around Stanley, MPC, Fitzroy and MPA-Stanley road





Questions on commercial process, priorities or licence?

FALKLAND ISLANDS GOVERNMENT





New Communications Bill*

* This is subject to Legislative/ Select Committee process

- Regulation of the whole sector – objectives and principles
  - Direct communications controlled – e.g. VSAT and Sat Phones
- Recognises public assets – numbering, domains, spectrum, network
- Technology neutral
  - Licences – individual, class, broadcasting stations, and exclusive
  - Public assets and Spectrum management
- Proactive Regulator
- Penalties for non-compliance with licence
- Public Control ‘step in’ rights

New Communications Bill (2)

- Excluded
  - HMG, MOD (operations), FIG, BAS
  - Private networks (e.g. on farms), SOS Equipment, Maritime, Aircraft
  - Broadcasting and wireless telegraphy licences (by those ordinances)
- Consumer standards and Protection
- Content regulation
- Data Retention and Disclosure
  - Court order required
- Data interception and Warrants

Towards better regulation

- Independent Regulator
- Ability to regulate import, and use
- Information and monitoring
- Penalties
  - Key Performance Indicator Compliance
  - Customer service Compliance
- Telecoms Appeals Panel and Courts
- Managed Exit and Handover Arrangements

Future issues and priorities – broadband

- The demand for data is increasing fast – in developed Western economies the use of broadband data doubles every 2.5 to 3.5 years
- This is not just social use…many software packages and applications are moving to the cloud rather than local servers
- The Falklands will see an average fourfold increase in data allowance over the first four years of the licence (2016-2020)
- The licence requires a critical review of future data requirements in early 2019 to inform discussions between the Regulator, FIG and Sure about international capacity beyond 2020

Future issues and priorities – mobile data

- In the UK and other large economies, mobile data has transformed the mode of connectivity and changed both social and business use of the Internet
- It is difficult to predict how the advent of mobile data will change the way that Falkland Islanders (and visitors) will interact with the Internet…but it is safe to say that there will be changes
- This will also likely be a topic for review in early 2019

Future issues and priorities – the unknowns

There are known knowns.
These are things we know that we know.
There are know unknowns.
That is to say, there are things we know we don't know.
But there are also unknown unknowns.
These are things we don't know we don't know.

From the Poetry of Donald Rumsfeld, former US Secretary of Defense

- **In an age when smart fridges can launch cyber-attacks it is difficult to predict where telecoms will be in five years' time**
- **There will be challenges, risks and opportunities for the Falklands**
- **It is important that FIG (and Sure) are proactive and alert to emerging technologies and social trends**


FALKLAND ISLANDS GOVERNMENT