

Enhancing access to submarine cables for Pacific Island Countries

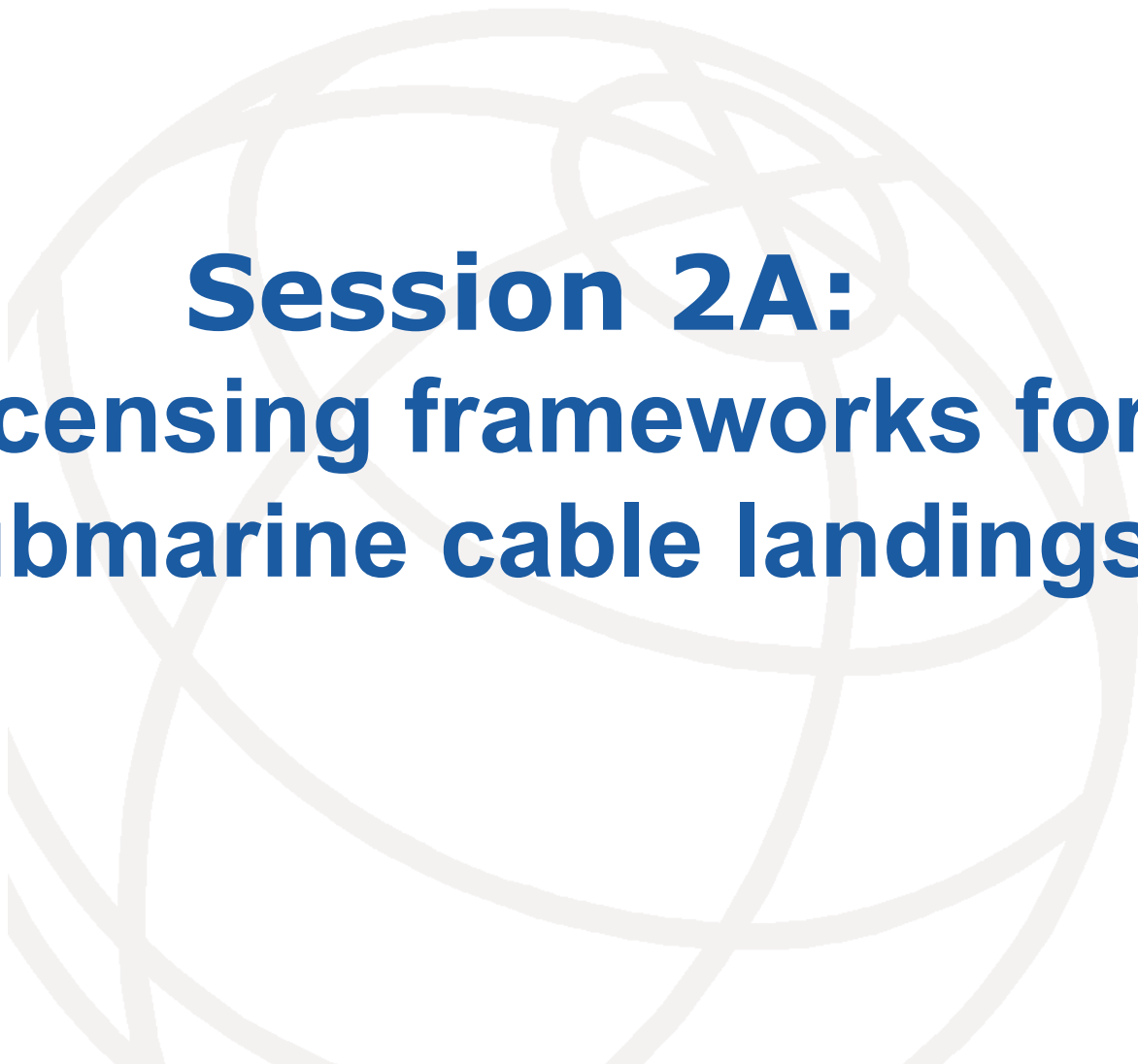
Session 2A: Licensing frameworks for submarine cable landings

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Session 2A: Licensing frameworks for submarine cable landings

Agenda

- Categories of ownership of submarine cable systems
- Relevant segments of the cable system for regulators
- Short video showing how cables are landed
- Telecoms licensing options and implications

Club cables

- From the era of national telecommunications monopolies
- Cable financed and constructed by small partnerships of government-owned telecommunications operators
 - E.g. AT&T, BT, PTTs
- In-house construction expertise
 - E.g. AT&T's Submarine Systems Inc (now TE Subcom)
 - E.g. British Telecom Marine (now Global Marine Systems)
- Each club member had the exclusive right within its particular national jurisdiction to use the cable capacity
- Designed to meet the international connectivity/capacity requirements of the club members

Consortium cables

- Consortium cables are the modern (post-liberalisation) equivalent of club cables
- Cable financed by consortia of telecom operators
- Construction outsourced to specialist suppliers
 - E.g. Tyco Electronics, Alcatel-Lucent
- Designed to meet the international connectivity/capacity requirements of the consortium members
- Members enter into a Construction and Maintenance Agreement (CMA)

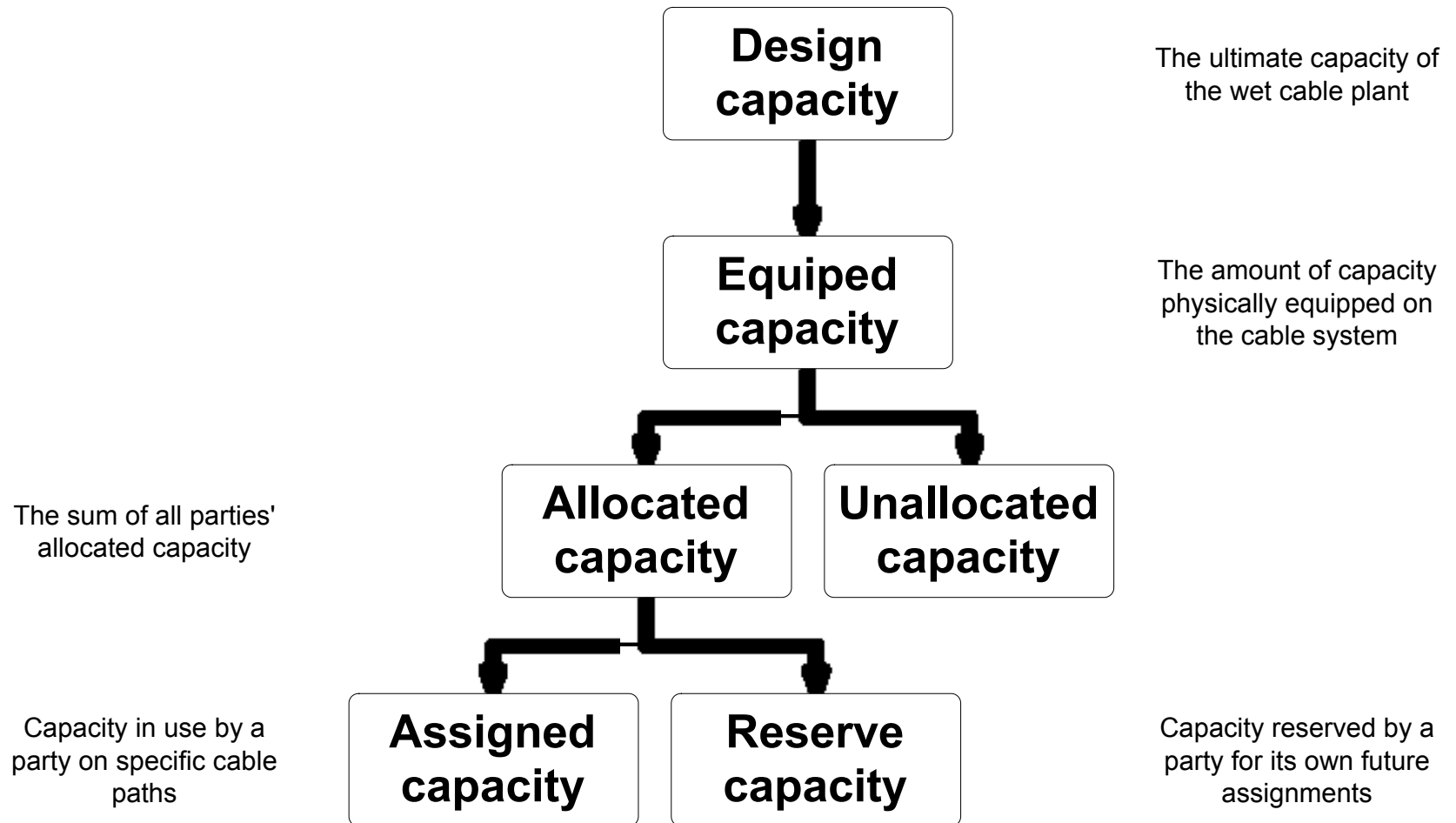
Private cables

- Cable financed by private investors
 - Investors may not be telecom operators at all
 - E.g. SEACOM
- Wholesale-only business
 - Designed to meet the international connectivity/capacity requirements of the wholesale customers

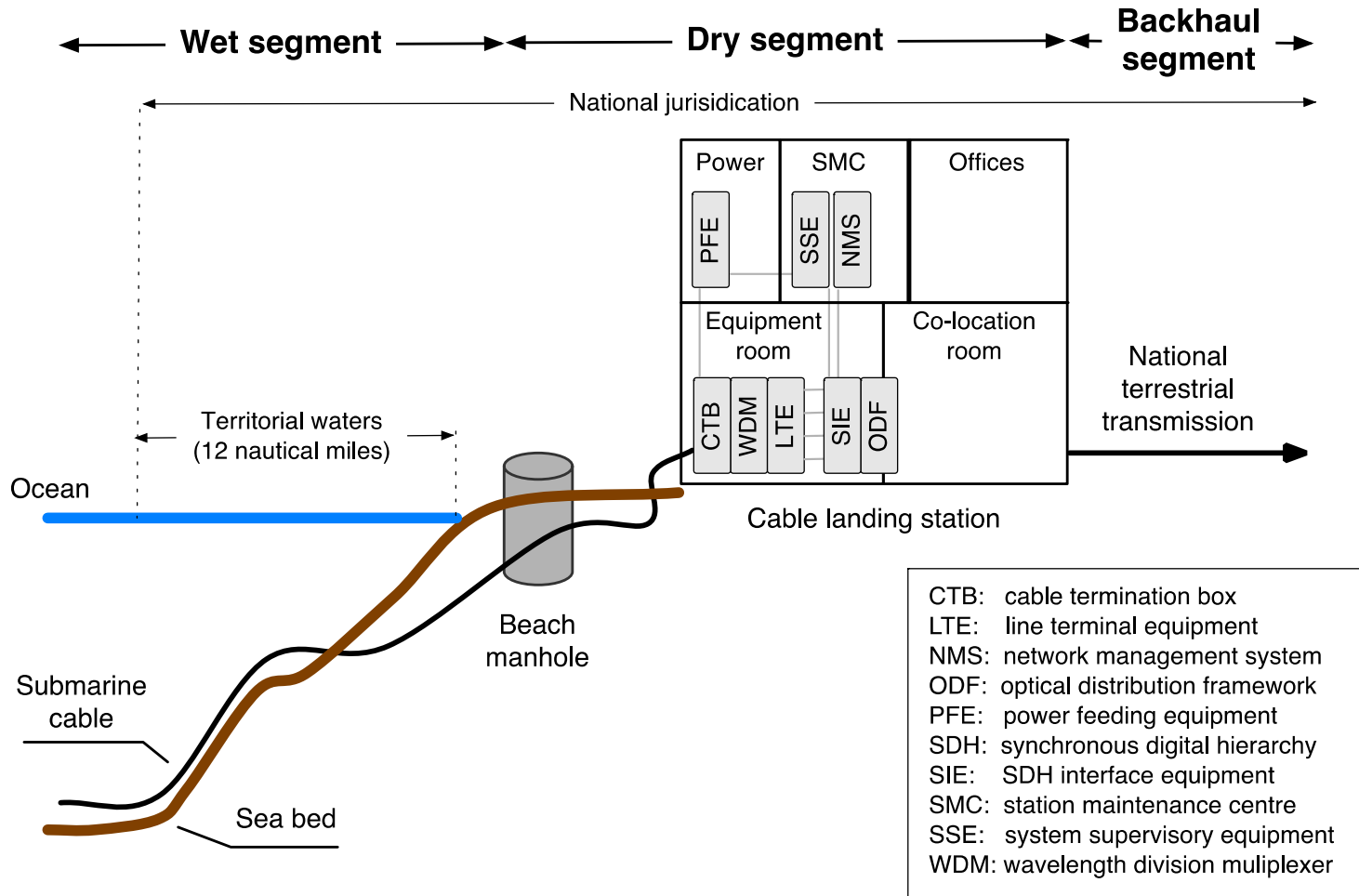
Indefeasible Rights of Use

- Capacity on consortium cables is divided into Minimum Investment Units (MIUs) and sold in terms of Indefeasible Rights of Use (IRU)
- IRUs are sold through Capacity Purchase Agreements (CPAs)
- IRUs includes rights and obligations commonly associated with ownership
- Members determine membership and prices of IRU
- Capacity on private cables may be sold in terms of an IRU but the rights and obligations are very different

Capacity structure and terminology



Three key parts of a cable system



Licensing of the Cable Landing Station

- The national jurisdiction includes both the dry and the wet segment within the 12km territorial waters
- The first task is to persuade the submarine cable operator to come to this demarcation point:
 - A national spur will be needed from the main cable
 - This will be a multi-million dollar investment
 - National investment in the cable consortium may be needed or (for private cable) some financial inducement.
- The licensing task concerns the cable landing station (CLS) and the wet segment in territorial waters:
 - Who is going to own and operate this?
 - What regulatory conditions will apply?

Ownership of the Cable Landing Station

- Ownership and operation of the CLS may be:
 - By the submarine cable provider itself
 - By one of the national telecom operators (typically the fixed incumbent)
 - By a consortium of national telecoms companies
 - By a separate private company – independent of both the submarine cable and the national operators.

Discuss in your groups the merits and disadvantages of each system – which would you consider to be:

a) the most efficient solution?

b) the most pro-competitive solution?

CLS licensing requirements

- Many different approaches
 - May fit within the standard unified licence regime
 - May require a special “submarine cable licence”
 - May require multiple licences
- A licence that covers the dry segment would typically also cover the relevant portion of the wet segment
 - This may be unnecessary in some scenarios
- A licence that does not distinguish between international and national facilities/service would typically also authorise national backhaul infrastructure
 - This is not always the case in practice

Typical CLS licensing requirements

- Licence term = lifetime of the cable (typically 15 years), with renewal option.
- Reporting, monitoring and accounting requirements.
- Open access obligations
- Control and conflicts of interest
- Tariff regulation – may be cost-based?
- Licence fees.

**How would a
CLS be licensed
in your
country?**



One stop shop

- Many other licences and authorisations will typically be required
 - E.g. maritime, environmental, ROW, construction, power
- A “one-stop shop” can simplify and speed up the process
 - E.g. China’s State Oceanic Administration
- Alternatively the telecom regulator can act as a coordinator
 - E.g. ACMA in Australia, OFCA in Hong Kong