

Subject:	Metro Wireless Concession Extension		
Date of Meeting:	11th July 2013		
Report of:	Executive Director Environment, Development & Housing		
Contact Officer:	Name:	Mark Watson	Tel: 29-1585
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 Wireless solutions are increasingly beginning to form a key layer in how the retail and tourism and public sectors engage with customers through the delivery of digital services and applications. With the provision of a digital platform this can start to deliver commercial, operational and value added opportunities for both the public and private sectors. Wireless is a key component of a digital platform for the city and presents an opportunity for the Council to be an enabler for enhancing the customer, visitor and retail experience, supporting economic development and for driving social and economic value. To deploy a city wireless network there is a requirement for access to numerous sites at street level. As an owner of such assets including street furniture, the Council is ideally placed to enable the delivery of such a network.
- 1.2 The report presented at Policy & Resources Committee on 29 November 2012 (Agenda Item 94) gained Committee approval to appoint a preferred partner to develop a Next Generation Wireless network within Brighton & Hove under a service concession contract with a term of 5 years (plus 2 plus 1 year) requiring the operator to pay the Council a concessionary licence fee and a percentage share of the total revenue.
- 1.3 The procurement process outlined in that report has been followed and has now reached the evaluation stage. There has been slippage in the timetable due to the need for a second round of clarifications and there is a proposed change to the length of the service concession, presented here.
- 1.4 This report seeks Policy & Resources Committee approval to extend the proposed term of the service concession as previously agreed by Policy & Resources Committee on 29th November 2012 to a maximum 10 year term (7 years plus 2 plus 1 year).

2. RECOMMENDATIONS:

- 2.1 That approval be given to let a service concession for the use of council owned assets (primarily street furniture) to deliver a Wireless Network for a 7 year initial

period with the option to extend for 2 years plus a further period of up to 12 months (7 plus 2 plus 1).

- 2.2 That the Executive Director Environment, Development & Housing be granted delegated authority to award a service concession contract to deliver a Metro Wireless network and, subject to satisfactory performance of the appointed contractor, to extend the 7-year contract by a maximum of 3 years (2 years, then 12 months).
- 2.3 That the Executive Director Environment, Development & Housing be authorised to agree any minor amendments to the draft contract deemed necessary and to conclude the contract accordingly.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 As outlined in the previous report to Policy & Resources Committee, the opportunity exists through partnership for the Council to deliver a metro wireless network within Brighton & Hove which would be driven by commercial opportunities from the private sector rather than through public financial investment.
- 3.2 The contract will be structured so that the contractor can generate revenue for the Council by the service concession through activities such as wholesaling spare network capacity to other mobile network operators (MNOs) and Internet based advertising. For example MNOs looking to rollout 4G (faster smartphone broadband) services to their customers would invest to spread their network coverage in Brighton & Hove. The council's revenue share is therefore dependent on the contractor's ability to generate sufficient revenue.
- 3.3 The Next Generation Wireless network is to be rolled out and bedded-in by a date to be agreed with the successful Bidder. The installation, support, maintenance and monitoring (capital and on-going revenue) of the network shall be at no cost to the Council. The contractor will be required to fully fund an assurance team to support the Council during the installation process.
- 3.4 During the procurement the council has become aware of an impact of the Government's later timetable for 4G rollout. This could now be a disincentive for MNOs to buy service from the successful provider early enough within the contract period, as consumer demand for 4G services is only likely to grow to a level that warrants this type of investment by about 2015/16. This is later than previously expected and at that point, indications are that MNOs will be looking for 5 year service contracts. Based on a maximum service concession contract term of 8 years (as previously authorised by Policy & Resources Committee on 29 November 2012) there would only be 2-3 years left to run, so would be unlikely to produce the required investment.
- 3.5 The impact to the contractor will be a risk to the investment by MNOs, significantly reducing the income within the contract period. The impact of this to the council is that the revenue share to the council would be significantly reduced if the initial term of the concession is not increased. There is also an increased

risk that bidders will not view the concession as investable and as being too high risk.

3.6 These factors indicate that the contract should be for a maximum of 10 years instead of the maximum of 8 originally offered. The new term on offer should be 7 years plus 2 plus 1 year. By approving such revised terms it is believed that this greater demand to utilise the concession will be generated, with a consequent uplift in revenue. Agreeing the revised terms enhances the potential to extend the scale of the network deployed with the opportunity to support digital and social inclusion initiatives.

3.7 The procurement process is unchanged from that described in the report presented on 29 November 2012. The revised indicative procurement timetable is outlined below:

Supplier Engagement Day	25 th September 2012
PQQ Issued	15 th October 2012
Evaluation of PQQ submissions	15 th November 2012
Issue of Invitation to Tender	1 st December 2012
Evaluation of Tender Submissions	June 2013
Concession commencement	July/August 2013

4. COMMUNITY ENGAGEMENT AND CONSULTATION

4.1 No further community engagement and consultation is required for the procurement and contract award but an engagement and communication plan will be drawn up for the implementation in conjunction with the successful bidder.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 The revised proposal does not change the financial implications for the council but does potentially improve the commercial opportunity and therefore potential revenue share available to the council for the use of its assets and street furniture. The potential revenue stream is not assumed within the council's approved budget at present but could be incorporated in later years when information on potential revenue shares becomes more robust and can be accurately forecast.

Finance Officer Consulted: Nigel Manvell

Date: 11/06/13

Legal Implications:

5.2 The Council has followed a structured competitive tendering process and is entitled to extend the term of the concession agreement being offered during this process.

Lawyer Consulted:

Oliver Dixon

Date: 20/06/13

Equalities Implications:

- 5.3 No change to equalities implications

Sustainability Implications:

- 5.4 No change to sustainability implications.

Crime & Disorder Implications:

- 5.5 No change to crime & disorder implications.

Risk and Opportunity Management Implications:

- 5.6 The proposed increase in the maximum term of the service concession increases the opportunity for the Council to realise fully the potential of the revenue share.
- 5.7 The proposed increase mitigates against the risk of a failed procurement of the service concession in either; not meeting the council's ambitions around revenue share, or not meeting commercial bidders needs around market risk.

Public Health Implications:

- 5.9 No change to public health implications.

Corporate / Citywide Implications:

- 5.10 No change to corporate/citywide implications.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 No further alternative options have been evaluated or have become available since the approval of the original report recommendations in November 2012. The reasons for not adopting alternative options still stand.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 Benefits from this recommendation can be directly quantified in terms of potential revenue streams. In addition the creation of such a digital platform will deliver benefits which are less tangible in commercial terms but potentially will add value to the way public services are delivered, the way in which digital inclusion is addressed and local business benefits from improved broadband connectivity.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

Previous report to P&R .29 November 2012