Cable Landing Stations

Building, Structuring, Negotiating and Risk

What does a Cable Landing Station do?

- Terminates an international cable or spur off an international cable.
- Provides powering for the cable or spur
- Provides a location for the Submarine Line Terminating Equipment (SLTE)
- Provides a location for domestic and/or International interconnection

Who owns a Cable Landing Station?

- CLS's are generally owned by a Landing Party who is the sole provider of operations and maintenance services to a cable company.
- The Landing Party will build and own the CLS, as well as other civil works such as ductlines to the Beach Manhole (fronthaul) and backup power system.
- The Landing Party may be a local telecommunications company, a group of local companies, the submarine cable operator, or a special private company.

What are the obligations of a CLS owner?

- To ensure that appropriate permits and licences are obtained, renewed and complied with (initial and ongoing).
- To build, maintain and operate the facilities against given performance metrics.
- To provide interconnection facilities (domestic and/or other int'l cables).

What are the risks of being a CLS owner?

- To ensure that the fees for operating and maintaining the CLS cover your capital recovery and operational costs over the life of the CLS.
- You may become a “target” for the government, for the regulator, other telcos or other submarine cable companies.
- You may be exposed to large, one-off, rare costs (e.g Destruction of facilities due to earthquake, tsunami, hurricane; or spur cable break (if you also own the spur)).
- You are generally responsible for acquiring licences and permits and keeping them up to date.

What are the benefits of being a CLS owner?

- Regular, reliable monthly income (as long as the cable company remains viable).
- You are the “guardian” of your country’s global interconnection.
- Opportunity for interconnection income
- Opportunity for becoming termination point for additional submarine cables (cheaper to use you, than build another facility, if yours has expandability)

Negotiations

- Understand your costs to maintain and operate and ensure agreed price provides a margin.
- Understand what you are being asked to deliver – Is it doable? (floor space, power, hands and feet, duct route, BMH, cross connects, training, travel to mtgs or training)
- Ensure that costs that you may have no control over are an actual or reasonable recovery cost rather than a fixed fee (eg Utilities such as power/water/fuel).
- Determine your capital cost recovery period – 5 years, 10 years, 15 years
- Determine the skill sets required (and the training offered). Is it feasible?

Negotiations cont'd

- If you are capital constrained, can you negotiate design criteria for the building or the security etc?
- Does the cable company want to limit your future commercial options?
- Does the location make sense for backhaul and fronthaul connection.
- Can you design in room for growth for additional future connections. Are those potential future connections allowed and/or priced in your agreement?
- Is the contract with the cable company able to be novated if the cable company changes hands?
- Get experienced advice!

Pricing

- How long is a piece of string?
- Minimum annual payments to operate a low risk CLS, on an unpowered spur with no PFE and very close to the landing point ~$20,000 USD per annum
- Annual payments for an Australian critical centre with large PFE demands and significant international and domestic Xconnects – up to $400,000+ USD per annum
- Access to a monopoly protected existing site (no alternative) – the sky is the limit Think about this before comitting to building the cable!

Summary

- You are making a 15 – 30 year commitment and providing infrastructure and a service that is often critical to your countries wellbeing.
- Don’t take shortcuts.
- Check the design
- Check the contracts
- Commit to your staff and their training

Thanks