MEMORANDUM

TO: Randolph G. Moore
Chair, Board of Regents

VIA: David Lassner
President

FROM: Garret T. Yoshimi
Vice President for Information Technology and Chief Information Officer

SUBJECT: REQUEST APPROVAL TO PROCEED WITH THE PROCUREMENT OF TRANS-PACIFIC FIBER OPTIC SYSTEM CAPACITY IN EXCESS OF $500,000

SPECIFIC ACTION REQUESTED:

Request that the Board of Regents approve the procurement of capacity on a new trans-Pacific fiber optic cable system in excess of $500,000 to support expansion of the University of Hawai‘i’s capacity to serve the education and research community.

RECOMMENDED EFFECTIVE DATE:

Upon approval.

ADDITIONAL COST:

The procurement will utilize $6 million explicitly appropriated by Act 122, SLH 2014, and released to the University of Hawai‘i for this specific purpose only. No additional costs are associated with this request.

PURPOSE:

To acquire capacity on a new trans-Pacific fiber optic cable system in order to improve the University of Hawai‘i’s (UH) capacity to support education and research. It is expected that the acquisition will yield, at minimum, new capacity of at least 100Gbps (Gigabits per second) between Hawaii and the U.S. West Coast, where it will interconnect with regional, national and international networks to help ensure the UH community’s ability to both lead and participate in leading edge global research and education efforts.
BACKGROUND:

Pursuant to Board of Regents Policy RP 8.201 III.E, “the procurement of goods or services exceeding $500,000 shall require the prior approval of the board.”

Act 122, SLH 2014 included a legislative initiative that appropriated $6 million to the University of Hawai‘i (UH) for the acquisition of capacity on a new trans-Pacific fiber optic cable system in order to advance the State’s broadband agenda. Based on extensive discussions with local and global experts and industry representatives knowledgeable in this field, there are two new fiber optic systems currently planned and/or in discussion that will connect Hawai‘i and the U.S. West Coast. Both systems are designed to initially deliver a large number of 100Gbps connections between Hawai‘i and the U.S. West Coast, with the expectation of future capacity expansion as fiber optic transmission technology continues to advance. The two systems have a small number of partners with the ability to sell capacity to the University of Hawai‘i within the range of the $6 million in available funds.

Given the economics and the standard market practices of the submarine cable industry, conducting a competitive procurement process among the small number of interested partners at the early stages of the actual development of a new submarine fiber optic cable system will yield the greatest value to the University of Hawai‘i. While there is some risk in the timing of the actual ready-for-service date, physical construction efforts for submarine cable systems are only allowed to proceed after the effort is fully funded by its primary partners. Entering into a purchase agreement as early as practical once a system has been fully funded will therefore afford the University of Hawai‘i the greatest purchasing leverage while limiting any downside risk.

Immediately upon release of the funds at the end of 2014, and in anticipation of being able to proceed with the acquisition of the subject capacity, we engaged in discussions with each of the potential partners of the two planned systems that would be in a position to sell capacity to the University of Hawai‘i. Based on our discussions, a public Request for Information (RFI) process was developed and posted as part of a formal competitive process. We expect that UH will be able to complete a fully competitive procurement of the capacity for which the appropriation was intended and achieve a high value acquisition that will serve the University of Hawai‘i and our partners for years to come.

ACTION RECOMMENDED:

It is recommended that the Board of Regents approve the procurement to acquire the subject trans-Pacific fiber optic system capacity. As previously described, the procurement will be conducted in a competitive manner to maximize the value to the University of Hawai‘i.

c: Executive Administrator and Secretary of the Board Quinn