

**UNIVERSITY OF HAWAII
NOTICE OF EXEMPTION FROM CHAPTER 103D, HRS**

The President, University of Hawaii, is in the process of reviewing the request from Information Technology Services (Department/Campus) for exemption from Chapter 103D, HRS, for the following goods, services, or construction:

Acquisition of capacity on a new trans-Pacific Fiber Optic system.

Vendor: To be determined
(If known)
Address:

Term of Contract: (If known)	From: To be determined	To: To be determined	Cost: \$6,000,000.00 (est.)
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Direct any inquiries to: Department: Information Technology Services Contact Name/Title: Garret Yoshimi, Vice President for Information Technology and Chief Information Officer Address: 2520 Correa Road Information Technology Center, 6th Floor Honolulu, Hawaii 96822	 Phone Number: (808) 956-3501 Fax Number: (808) 956-7322
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Date Posted: April 16, 2015

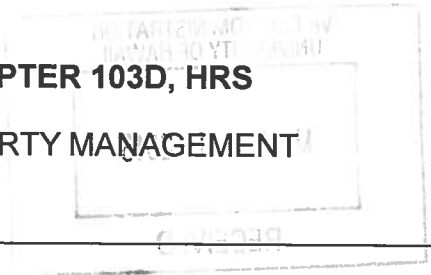
Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven (7) calendar days from the date posted to:

Office of Procurement and Real Property Management
1400 Lower Campus Road, Room 15
Honolulu, Hawai'i 96822

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

TO: OFFICE OF PROCUREMENT AND REAL PROPERTY MANAGEMENT

FROM: Information Technology Services
(Department/Program)



Pursuant to APM Section A8.220, the Department requests a procurement exemption to purchase the following:

Description of goods, services, or construction:
Acquisition of capacity on a new trans-Pacific Fiber Optic System.

Estimated Cost: \$ 6,000,000.00 (estimated)

(1) Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University;

See attached.

(2) Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as practicable;

See attached.

(3) A description of the Department's internal controls and approval requirements for the exempted procurement; and

See attached.

(4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract:

See attached.

Direct questions to: Christopher Zane Phone: (808) 956-0974

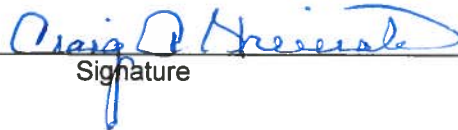
I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT.

Christopher Zane, Manager, Information Technology Services, Technology Infrastructure
Full Name of Principal Investigator, Department Head, or Administrator


Signature

APR 14 2015
Date

Craig Shinsato, Fiscal Administrator
Full Name of Fiscal Officer


Signature

04/14/15
Date

APPROVED:
Garret Yoshimi, Vice President for Information Technology and Chief Information Officer
Full Name of Vice President or Chancellor


Signature

APR 14 2015
Date

FOR OPRPM USE ONLY

OPRPM COMMENTS:

APPROVED DENIED


PRESIDENT, UNIVERSITY OF HAWAII

5/11/15
DATE

**Request for Exemption from Chapter 103D, HRS
Capacity on Trans-Pacific Fiber Optic System**

- (1) Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University

The market for capacity on new trans-Pacific fiber optic systems that will serve Hawaii is severely limited based on the amount of capital required to build trans-Pacific fiber optic systems, i.e. typically well in excess of \$200 million, and the market demand for high capacity services here in Hawaii is also limited as compared with the costs of serving our location. Over the past year, only two such systems with the ability to connect Hawaii and the US Mainland have been in active, substantive discussions among the submarine fiber optic cable community. As of the end of March 2015, only one (Southeast Asia - US, or SEA-US) has reached the stage called "Contract in Force" or "CIF", referring to the status of having full funding from the owners of the cable system, and the initiation of construction of the system. Based on current construction plans, SEA-US is expected to enter service in 2017. The second system under active discussion ("Hawaiki") has yet to achieve full funding and CIF status, but has announced the intention of entering service soon after SEA-US.

Using a traditional procurement approach, and given the size of the University's spend (limited in the context of the ownership positions in this market), we would likely be able to acquire Hawaii to US Mainland capacity at rates comparable with small to medium sized commercial telecommunications carriers. Under normal purchase arrangements, in addition to paying for the submarine or "wet" segment, the University would also be required to cover the costs of backhauling its traffic from the cable landing station at each end location, to a location where the University would be able to connect the capacity to its local network or its regional networking consortium partner. The University would also typically be subject to operations and maintenance (O&M) costs, along with potential fees related to system technology and capacity upgrades.

Ideally, the University would prefer to invest in direct ownership of such a cable system in order to gain the significant advantages afforded to such ownership, including potential no-cost access to increased capacity resulting from technology upgrades, and the ability to connect directly to the cable infrastructure in lieu of paying for costly backhaul facility charges. However, the University has insufficient funding resources to do so. As an alternative, the University can access these benefits by dealing directly with the existing owners of the cable systems under consideration, and negotiate directly with an owner or owners to maximize the University's value received for its investment. Each owner brings a unique value proposition as ownership shares vary, and the value that may be offered by each owner to the University will be uniquely specific to that owner. Since the nature of the benefits to the University differ from all others in the market for such services, a traditional procurement approach will likely fail to allow the University to fully maximize the value of its investment. Also given the fixed funding amount available for this acquisition, the University will need to look to maximize the value received through fully leveraging its investment with the entity providing the trans-Pacific capacity.

(2) Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as practicable

Once funds were appropriated for this acquisition in 2014, the University actively researched and pursued discussions with those interested in submarine cable planning and construction activities in the Pacific region to fully understand the potential for any new trans-Pacific systems to be constructed that would provide service between Hawaii and the US Mainland. Over the past year, two of the potential new systems, SEA-US and Hawaiki, continued to make progress towards the commitment of sufficient capital, and advancing plans for construction. Given that there were a handful of potential owners (between the two systems) that might be interested in providing capacity to the University, we issued a Request for Information (RFI) in March 2015 to better understand the potential position of the various owners, and to understand the scope of potential benefits that might be possible for the University under a purchase scenario. A direct Request for Proposals or Invitation for Bid was not advantageous since the full scope of the capacity to be acquired was likely very different from owner to owner, and would be at rates and terms unavailable to typical commercial buyers. Also, given our limited available funding, we would severely limit our options by using a traditional procurement approach as potential offerors would also measure the risk of participating in a procurement activity that would be purposely vague in order to attempt to capture the broad range of potential features and capacities that would be of value to the University.

Since the range of potential features and capabilities available to the University is now known as a result of our research, prior discussions, and the RFI process, we propose to enter into discussions and direct negotiations with the owner or owners that would be willing and able to deliver maximum value to the University, including identifying any and all unique capabilities available, with the intent of entering into a contract to secure maximum value for the University's investment. Selection will be based on the following criteria:

- 1) The ability of the University to acquire the full direct capacity between Hawaii and the US Mainland,
- 2) Substantial additional capabilities including but not limited to a no cost upgrade in capacity when the cable system technology is upgraded over the initial years of operations (based on the current state of optics technology development, these cables will see a 2x or 4x upgrade in capacity, likely in the next three to five years - inclusion of a no cost upgrade would likely be worth millions of dollars to the University),
- 3) Cost reasonable additional capacity between Hawaii and Guam to support the international networking community,
- 4) Access to other potential partnerships to support high capacity networking into several areas of the Pacific that would significantly expand the University's reach and prominence in Asia-Pacific research and education.
- 5) Value propositions of any of the potentially interested owners measured against the University's requirements.
- 6) Any other externally available metrics to ensure that the selected solution would offer unique and substantial value for the University's investment.

- (3) A description of the Department's internal controls and approval requirements for the exempted procurement

ITS internal controls over the exempted procurement include the comparison of readily available features, capabilities and rates based on the current market conditions for higher educational consortia, and comparison against other existing contracts for similar items acquired by ITS. All terms and conditions will be fully reviewed by multiple individuals familiar with acquisitions of this type, and reviewed to ensure the University's best interests are preserved under the exempted procurement. Technical requirements of the capacity to be acquired, as well as the connections to the University's networks and the networks of the University's regional and national partners will be scrutinized to ensure the systems will operate according to specifications and the University's requirements.

- (4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract

Chris Zane - IT Specialist (Senior Network Architect)

Alan Whinery IT Specialist (Senior Internet Engineer)

Craig Shinsato – Fiscal Administrator

Scott Yamashita - Administrative Services Manager

Garret Yoshimi – Vice President for Information Technology & Chief Information Officer