

**PAYMENTS FROM FIG TO SURE SOUTH ATLANTIC LIMITED (2018-2027)
REPORT (May 2025)**

PUBLIC VERSION

**Report of an investigation
into payments of over £8 million made (or to be made)
by FIG to Sure South Atlantic Limited between 2018/19 and 2026/27
for improvements to broadband service and the Camp mobile network**

**Note: Information that was provided to the Committee on a restricted basis
has been redacted from this public version of the report.**

Contents

Contents	2
Abbreviations	3
1 - Executive Summary	4
2 - About the Public Accounts Committee	7
3 - Introduction	9
4 - Background	10
5 - The 2018 payments (Camp 2G expansion)	12
6 - The 2019-22 payments (Broadband improvements)	13
7 - The 2022-27 payments (Further broadband improvements)	15
8 - Recent developments	17
9 - Scope of inquiry	20
10 - Analysis	21
11 - Initial findings	26
12 - How the investigation has been carried out	28
13 - Proposed next steps	29
14 - Recommendations	30

Abbreviations

2018 agreement – FIG/Sure SA agreement dealing with Camp 2G coverage

2019 agreement – FIG/Sure SA agreement dealing with broadband improvements for 2019-22

2022 agreement – FIG/Sure SA agreement dealing with broadband improvements for 2022-27

Cambridge MC – Cambridge Management Consulting Limited

Communications Ordinance – Communications Ordinance 2017

DDoS – Distributed Denial of Service

ExCo – Executive Council

FIG – Falkland Islands Government

KPIs – Key Performance Indicators

LEO – Low Earth Orbit

MLAs – Member of the Legislative Assembly

Nano BTS – a base transceiver station for a mobile network that has a limited range

PAC – Public Accounts Committee

PAC Ordinance – Public Accounts Committee Ordinance 2009

SFC – Standing Finance Committee

Sure SA – Sure South Atlantic Limited

VSAT – Very Small Aperture Terminal

1 - Executive Summary

- 1.1 The Public Accounts Committee (PAC) is a body established by the Falkland Islands Constitution and the Public Accounts Committee Ordinance 2009 (the PAC Ordinance).
- 1.2 Among the statutory functions of the PAC are those of:
 - assessing whether or not value for money has been obtained in return for public money having been spent;
 - considering the arrangements that FIG has made to manage its financial risk; and
 - considering and reporting on the arrangements for regulating bodies holding franchises to provide services of a public nature.
- 1.3 All three of these functions are relevant (to different extents) to an investigation that has been carried out by the PAC into payments of over £8 million that have been or will be made by the Falkland Islands Government (FIG) to Sure South Atlantic Limited (Sure SA), the holder of an exclusive licence to provide telecommunications services within and to/from the Falkland Islands.
- 1.4 The overwhelming majority of these payments (£8,441,000) relate to improvements to broadband services provided (or to be provided) by Sure SA across the whole of the Islands over an eight year period from 2019 to 2027. Smaller payments were also made in return for improvements to mobile services in Camp – the extent and amount of these payments has not been fully ascertained.
- 1.5 The first payments (though relatively small within the overall scope of the amounts under investigation) were agreed within only a year of agreement having been reached in 2017 on the terms of Sure SA's exclusive licence.
- 1.6 Much larger payments (totalling £3,231,000 over three years) were agreed in 2019, just two years after the 2017 agreement had been reached. However, it should be noted that, although Sure SA's exclusive licence was due to last for at least 10 years from the date of that agreement, a side letter for a review after two years had been signed at the same time.
- 1.7 Further payments (totalling £5,210,000 over another five years) were agreed in 2022 in return for a further set of improvements to broadband services, which have not yet fully materialised.
- 1.8 There may also have been other payments made for further improvements to mobile coverage in Camp, but details of these have not been made available to the PAC.
- 1.9 The recent arrival of competition from Starlink has coincided with a set of improvements made by Sure SA to its broadband offering to customers – apparently, no payments from FIG were needed in order for Sure to make these improvements.
- 1.10 Some of the more recent developments in relation to the use and availability of Starlink services within the Islands are beyond the immediate scope of this investigation. Whilst a full inquiry into the regulatory arrangements that could and have been applied to Sure

SA's exclusive licence might well be a useful exercise and may well be carried out, that has not yet been done.

- 1.11 The key questions that have been identified as relevant to this investigation are:
- (1) Did FIG obtain improvements that it could not otherwise have obtained at the time (and not with the benefit of hindsight)?
 - (2) Has Sure SA provided the improvements that it contracted to provide?
- 1.12 In relation to question (1), the available evidence does appear to suggest that FIG was at least seeking to obtain improvements to broadband provision and mobile coverage in Camp that could not otherwise have been obtained from Sure SA under the regulatory framework in place at the time.
- 1.13 Whether it should have been possible to obtain these improvements without having to pay Sure SA from public funds to provide them is something that could realistically only be considered fully as part of a wider investigation into the effectiveness of FIG's regulation of Sure SA.
- 1.14 In relation to question (2), FIG appears to believe that – with one very important exception – Sure SA has provided everything that it was contracted to provide. However, again without having been given any information about the detailed terms of the 2019 and 2022 agreements (in particular about the Key Performance Indicators (KPIs) for the agreements) or about the arrangements for monitoring and managing performance and compliance, this belief can only be taken at face value.
- 1.15 The important exception relates to the noticeable problems that were experienced as a result of the failed initial implementation of Low Earth Orbit (LEO) services. This has been variously described as “a contract management matter” and “a contract breach”.
- 1.16 It has been stated in an oral answer in the Legislative Assembly that FIG has been in commercial discussions to understand the failure and to ensure that FIG receives reimbursement. It has also been stated that legal options will be considered if no commercial agreement is reached.
- 1.17 However, as matters stand and without more information, it cannot be determined what position FIG has been left in and whether or not adequate safeguards were in place to manage FIG's financial risk.
- 1.18 It can be said that Sure SA's customers have, on the whole, benefited from improved broadband speeds, increased data quotas and reduced broadband prices (relative to the services provided) than they might otherwise have done.
- 1.19 However, achieving these improvements (to the extent that they were delivered) has required a significant subsidy/investment from FIG of over £1 million per year for 8 years, equivalent to approximately £300 per Falkland Islands resident per year.
- 1.20 Moreover, during the failed introduction of the LEO services, Sure SA's customers were not getting an improved service and are still not receiving the advertised benefits of low

latency. Indeed, for a time, Sure SA's customers were not even continuing to receive the service they had been paying for beforehand.

- 1.21 As matters stand, it would be very difficult to say that FIG has obtained value for money from well over £8 million of government expenditure and there must be well-founded concern that it has not.
- 1.22 That concern might be dispelled (though it might be confirmed) if further information were to be provided by FIG. Only a limited amount of the information requested was provided. Sadly, therefore, this investigation has – to a large extent - had to be conducted on the basis of publicly available information only.
- 1.23 Some non-public information was provided on the basis that it could only be used for “private discussion”. Where such information has been relied on, redactions have been made to reflect the restriction that had been imposed by FIG.
- 1.24 Consideration is being given to renewing requests for information and co-operation and ultimately the use of the PAC's statutory powers in order to secure both.
- 1.25 The PAC makes nine recommendations in relation to issues identified during the course of this investigation. These fall into three groups:
 - The first group relates to the importance of KPIs
 - The second group relates to the importance of monitoring compliance and taking action if issues arise
 - The third group relates to preparations to be made for future arrangements beyond 2027
- 1.26 To a large extent, these recommendations have wider application beyond the scope of the specific agreements considered as part of the investigation.

2 - About the Public Accounts Committee

- 2.1 The Public Accounts Committee (PAC) was established by section 81 of the Falkland Islands Constitution and it is regulated by the PAC Ordinance.

The PAC's membership

- 2.2 The PAC has five members:
- After consulting Members of the Legislative Assembly (MLAs), the Governor appoints the PAC Chair and two other PAC members.
(None of these can be MLAs. Nor can the Financial Secretary, described in the Constitution as Director of Finance, be a member of the PAC.)
 - The Legislative Assembly elects 2 MLAs to be the other two PAC members.
(An MLA cannot serve on the PAC at the same time as being a member of Executive Council nor at the same time as being the Chair or Deputy Chair of the Standing Finance Committee – see section 81(1) of the Constitution and section 5 of the PAC Ordinance.)

- 2.3 The current members of the PAC are:

- Bernie Goodwin (Chair)
- Sacha Cleminson (Deputy Chair)
- Nadia Knight (Lay Member)
- MLA Teslyn Barkman
- MLA Peter Biggs

Andrew Newman was Chair of the PAC until December 2024 and, during his term of office, he made important contributions to this investigation and to the preparation of this report.

- 2.4 The work of the PAC is supported by a full time Clerk, Nancy Locke, and it can also engage other people to assist in its work.

The PAC's role

- 2.5 The functions of the PAC can be summarised as follows:
- to examine and report on public accounts and audit reports, including those of FIG itself, as well as statutory bodies, bodies that receive public money and bodies in which FIG or a statutory body is a shareholder;
 - to advise on external audit arrangements and to examine and report on all reports produced by FIG's Internal Audit Department;
 - to consider and report on the effectiveness of the regulation of bodies that have been granted franchises to provide services of a public nature;
 - to consider and report on any other matter that the Governor may refer to the PAC.

- 2.6 When carrying out its functions, the PAC has to look at the value for money derived from the public money that has been spent. It can also look at the arrangements made to manage financial risk.
- 2.7 The PAC Ordinance uses the terms “economy, efficiency and effectiveness”, which are widely used in relation to PAC activities worldwide. Economy, efficiency and effectiveness can be described as “spending less, spending well, and spending wisely”.
- 2.8 One way of measuring these involves looking at:
- Inputs, such as staff and buildings vs costs in monetary terms (economy)
 - Outputs of a particular good or service vs inputs (efficiency)
 - Outcomes in terms of the impact on society vs outputs (effectiveness)
- Value for money is the overall relationship between costs and outcomes.
- 2.9 The role of the PAC does not include considering matters of policy: the PAC’s job is not to look at why money has been spent, but how.
- 2.10 However, although the PAC Ordinance provides that the PAC’s functions do not include considering matters of policy, it does not define what are matters of policy and there is a clear potential for overlap between policy and delivery, particularly when looking at effectiveness.
- 2.11 A common sense approach is being taken in this review to determine what are matters of policy and what are matters of delivery.

3 – Introduction

- 3.1 The primary purpose of this investigation has been to enable the PAC to assess whether payments that have been made (or will be made) from FIG to Sure SA represent value for money (in terms of economy, efficiency and effectiveness). The payments total well over £8 million over the period from 2018/19 until 2026/27. Other relevant payments may also have been made and the figure given does not take into account the value of officers' time or other costs (such as professional fees incurred).
- 3.2 Overwhelmingly, these payments have been (and will continue to be) made by FIG in order to secure improvements to the broadband service provided by Sure SA to its customers in the Islands. However, smaller but still significant amounts of both capital and operating expenditure were also incurred by FIG in order to extend the 2G mobile network to additional locations in Camp.
- 3.3 The payments made by FIG have sometimes been described as a "subsidy" rather than an "investment" – no particular significance is attached in this report to the different terminology that has been used in various contexts.
- 3.4 To a lesser extent, consideration is given to the arrangements made by FIG to manage its financial risk in relation to the payments. However, the PAC's ability to do this has been limited by a lack of available information.
- 3.5 Only very limited consideration has been given to the arrangements in place for the regulation of Sure SA's franchise to provide services of a public nature (in the form of an exclusive licence to provide telecommunications). However, the PAC's statutory function in that regard underpins the investigation.

4 – Background

- 4.1 Sure SA (and its predecessor, Cable & Wireless) have provided external telecommunications services to and from the Falkland Islands since 1974. It has also provided domestic telephone services within the Islands since 1989 and broadband services since 2006.
- 4.2 Services have been provided by Cable & Wireless and Sure SA under a series of statutory licences but also on the basis of agreements reached with FIG. These agreements have covered not just the terms on which services have been provided, but they have also dealt with investment in telecommunications infrastructure by FIG as well as by Sure SA.
- 4.3 Sure SA currently provides telecommunications services within and to/from the Islands under an operating licence granted under the Communications Ordinance 2017. In turn, that licence reflects the terms of an agreement between FIG and Sure SA signed on 7 April 2017. The term of the agreement, which replaced an earlier agreement, was back-dated to the start of 2016.
- 4.4 For some (but not all) telecommunications services, Sure SA has an exclusive licence that is expected to apply until at least the end of 2027. FIG can give two years notice to bring the licence to an end, but cannot give notice before the end of 2025 and must satisfy certain requirements in order to give notice.
- 4.5 Subject to a key exception that has recently become topical (and which has, indirectly, become relevant to the investigation), the provision of broadband services to personal and business customers is one of the areas of activity in which Sure SA has exclusivity under the Communications Ordinance.
- 4.6 The exception relates to the possibility of individuals and business being granted licences to self-provide broadband using a Very Small Aperture Terminal (VSAT) system. While the Attorney General (Simon Young) was Acting Communications Regulator, this was interpreted to include the ability to obtain licences to acquire Starlink services. Shortly after taking up office, the incoming Communications Regulator (Chloe Freeman) announced a moratorium on new VSAT licences for at least four months from 1 December 2024. A period of consultation on proposed changes to VSAT licensing started on 10 March 2025.
- 4.7 The level of service provided by Sure SA under its exclusive licence is regulated in various ways, including the use of Key Performance Indicators and a price cap. The initial price cap ran until the end of 2019 and a further price cap ran from the start of 2020 until the end of 2023. A new price cap was due to have been negotiated to apply from the start of 2024 until the end of 2027 and it had been envisaged that broadband would be brought into the price cap at that stage. However, it was agreed subsequently that the 2020-23 price cap should be rolled over for another year with a new price cap now to be agreed for 2025-27. The consultation exercise covers that as well.

- 4.8 Sure SA's licence also designates it as a universal service provider and imposes a number of additional obligations and potential obligations on Sure SA. (The potential obligations could be imposed by means of directions or regulations.)
- 4.9 Since the 2017 agreement was reached, additional investments from FIG have been agreed, primarily in order to secure improved broadband provision but also in order to extend 2G mobile coverage in parts of Camp. Further payments may well also have been made in order to extend 2G mobile coverage in additional parts of Camp and in order to extend 4G mobile coverage in parts of Camp.

5 - The 2018 payments (Camp 2G expansion)

- 5.1 As part of its obligations as an exclusive licensee under the 2017 agreement and licence, Sure SA made two commitments to upgrade mobile services across the Islands: to establish a new 4G network for Stanley and some other key locations; and to provide additional 2G coverage in Camp from 4 new sites..
- 5.2 However, once this had been done, it became clear that some (more remote) locations would still not have mobile coverage.
- 5.3 On 29 August 2018, capital expenditure [REDACTED] and ongoing operational expenditure [REDACTED] were approved by Executive Council (ExCo) and Standing Finance Committee (SFC) in order to procure 6 additional masts to improve the coverage of 2G mobile services.
- 5.4 The six sites included in this investment were identified as ones at which installation could be completed by the end of 2018. The justification for the investment was that it would support both Rural Development Strategy and enhance the Public Safety Network.
- 5.5 At the time, seven more sites (including Outer Islands) were identified as possible future options for further expansion. [REDACTED]
[REDACTED] It was advised that, not only would there be diminishing returns from these additional sites, but 100% coverage would still not be obtained.
- 5.6 Only limited information seems to be available about FIG funding of further expansion to the 2G network in Camp. [REDACTED]
[REDACTED]
[REDACTED]
- 5.7 Separately from the broadband improvements funded by FIG's investment in 2022, Sure SA was investing in replacement of the life-expired WiMAX system for Camp with a 4G based system that would also expand 4G coverage in Camp. No information is currently available about the funding arrangements for this to enable an understanding of the level of funding made by Sure SA and FIG to provide and improve services.

6 - The 2019-22 payments (Broadband improvements)

- 6.1 In October 2019, it was announced that FIG would make what was described at the time as an investment of £3 million over three years in a number of improvements to the broadband service provided by Sure SA.
- 6.2 At a press conference held at the time of the announcement, the then Director of Development and Commercial Services (Iain Robertson), explained that Sure SA had been under no obligation under the 2017 agreement to provide any further improvement to broadband services.
- 6.3 There had been a side letter to the 2017 agreement providing for a review to take place in 2019 and the then Director said at the press conference that negotiations with Sure SA and a procurement exercise involving three potential providers had been carried out over the previous 18 months.
- 6.4 The investment of over £3 million had been approved by ExCo on 25 September 2019 and by SFC on 30 October 2019 (after the investment had been announced). The exact amount approved was £3,231,000 and consisted of capital expenditure of £105,000 and payments of £1,042,000 per year for 3 years.
- 6.5 The improvements funded by the investment can be summarised as follows:
- (1) Data quotas for 67% of Sure SA customers were doubled, with increases of 33-44% for other customers (those on the two smallest and cheapest packages, Starter and Lite).
 - (2) There was a 50% improvement in contention ratio (the number of users sharing the same bandwidth at any given time), which was intended to help relieve congestion at peak times.
 - (3) Line speeds were to be reviewed once it was understood how consumers were using the increased data allowance.
- 6.6 In addition to the FIG investment, prices were increased by 10% for the majority of broadband customers, though not for those on Starter or Lite. Since the customers affected by the 10% price increase also benefited from the 100% quota increase, it is likely that some of them took advantage of the opportunity this presented to downgrade without penalty. [REDACTED]
- 6.7 The amount being paid to Sure SA was based on ExCo choosing one of the three options presented to it – the annual cost of the three options ranged from £1,000,000 to £1,190,000. The differences between the three options was about whether the price increase was applied to all, some or none of the customers. The middle option was the one selected.
- 6.8 [REDACTED]

- [REDACTED]
- 6.9 The 2019 investment was seen as possibly becoming the first phase of a National Broadband Strategy and consideration was to be given to a longer term aim of providing an “unlimited” customer experience as technology and funding were to permit. It is perhaps significant that [REDACTED] two unlimited packages, differentiated by speed, have recently been made available by Sure SA without further FIG investment. (The arrival of competition from Starlink may not be entirely coincidental.)
- 6.10 Although the additional investment by FIG was agreed just two years after the 2017 agreement had been reached, it had been foreshadowed: it had been agreed in a side letter to the 2017 agreement that a strategic review would take place in 2019, timed to coincide with the expiry of Sure SA’s then-current satellite contracts and designed to inform its next procurement exercise.
- 6.11 [REDACTED]
- 6.12 [REDACTED]
- 6.13 It is not clear to what extent it was a consideration for ExCo in reaching its decision that an “ancillary effect” of increasing data quotas was to reduce the rate of inflation, which may indirectly have had other budgetary consequences.
- 6.14 The life of the 2019 investment was set at 3 years, a timeframe within which significant advances in satellite technology were expected. It was also intended that the National Broadband Strategy would be developed within that time.
- 6.15 Public perception of the broadband improvements may have been adversely affected by an extended Distributed Denial of Service (DDoS) attack on Sure SA’s network (and the aftermath of that attack) in October and November 2019. The disruption to internet service happened very shortly after the promise of improvements had been made, as well as the news that substantial payments were to be made to Sure SA out of public money.
- 6.16 However, in fairness to both Sure SA and Intelsat, the handover from Sure SA’s previous service provider had not taken place by the time of the DDoS attack. The Communications Regulator found, following an investigation, that Sure SA had been compliant with its licence obligations and that the new service arrangements with Intelsat would provide additional protection from future DDoS attacks.

7 - The 2022-27 payments (Further broadband improvements)

- 7.1 On 26 July 2022, ExCo approved further investment in broadband provision over 5 years at an annual cost to FIG of £1,042,000. SFC approved the expenditure of another £5.21 million, bringing the grand total of the payments from FIG to Sure SA to £8,441,000 over 8 years (in addition to the amount spent on the Camp 2G expansion).
- 7.2 [REDACTED]
- 7.3 ExCo had been presented with two options: the selected option and a lower cost option that would still have cost £803,385 per year (over £4 million over 5 years) but would have meant a further 10% price increase for all Sure SA broadband customers.
- 7.4 In both cases, the investment would lead to further increases in broadband speed for all customers and data quotas were increased by 50% across the board. Additional satellite capacity was to be purchased to meet the additional demand that would be generated.
- 7.5 In a Quality of Service Report for 2023 that was not finally published until November 2024, the Communications Regulator stated that there had continued to be challenges in analysing the data regarding line speeds collected by network probes but that evidence collected from customer line speed tests showed that maximum line speed targets were often being met.
- 7.6 The Communications Regulator explained in that report that no line speed targets had been set for 2024 and that work to “fine-tune” the collection of data would continue, with the aim of setting appropriate targets in 2025.
- 7.7 One aspect of the improvement plan that turned out to be less than entirely successful was to introduce the use of LEO satellite technology in addition to the geostationary satellite technology already used. The aim of this was to provide reduced latency service (with less lag).
- 7.8 Contractual arrangements with LEO providers factored into the decision by FIG and Sure SA to reach a 5 year agreement this time round: it was stated that Sure SA had been unable to negotiate 3 year contracts for LEO capacity but had been able to negotiate a potential 5 year contract. The 5 year timeframe also meant that the 2022 agreement would last until, more or less, the end of Sure SA’s current licence period.

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8 - Recent developments

- 8.1 As is well known, the integration of LEO technology (provided by OneWeb) in early 2024 did not go entirely to plan. There were delays in bringing the new infrastructure into service and, even when it was finally brought into service, it had serious adverse effects on the operation of the entire broadband network, involving unplanned outages as well as planned ones and noticeable degradation in performance for a time.
- 8.2 Giving evidence to a Select Committee of the Legislative Assembly (as to which below), the current Director of Development and Commercial Services (Becky Clark) has described this as a “contract management matter”, but some MLAs have been more forthright and called this “a contract breach”.
- 8.3 Answering a question from MLA Roger Spink, MLA Mark Pollard said during the meeting of the Legislative Assembly on 30 January 2025 that compliance with the contractual obligations to provide LEO services had been raised at meetings between FIG and Sure. He went on to say that FIG was in commercial discussions with Sure to understand the failure and to ensure that FIG receives reimbursement. Finally, he said that legal options would be considered if no commercial agreement were reached.
- 8.4 Meanwhile, although Starlink do not regard the Falkland Islands as part of its service area, the rival had been beginning to find a market here, with customers (including FIG) using roaming or maritime plans.
- 8.5 Following a ruling by the then Acting Communications Regulator that Starlink comes within the scope of the VSAT exception to Sure SA’s exclusive licence, the first licences to use Starlink equipment and services had been granted. FIG had also started to make use of Starlink, relying on its exemption from the requirement for a licence. There has also been anecdotal evidence of extensive unlicensed Starlink usage.
- 8.6 Then, following the presentation to the Legislative Assembly on 25 July 2024 of a petition with 2,416 valid signatures, a Select Committee was established to consider a number of requests made in the petition. It met four times and, as well as receiving written submissions, it heard evidence in public and (in some cases, where commercially confidential or otherwise sensitive information was involved) in private as well.
- 8.7 The Select Committee adopted a set of draft conclusions, including a recommendation that a very considerable reduction in the VSAT licence fee (from £5,400 per year to £180 per year) be considered. These draft conclusions were formally adopted by the Legislative Assembly at its meeting on 31 October 2024 and forwarded to FIG for consideration.
- 8.8 In late August 2024 (after the petition had been presented but before the Select Committee had heard evidence, let alone reached any conclusions), Sure SA announced a new range of packages, offering increased speeds and data quotas and, for the first time, two unlimited packages, differentiated by speed.

- 8.9 The timing of this announcement was remarked upon by MLA Roger Spink when questioning the Attorney General (Simon Young) in his then capacity as the Acting Communications Regulator at the Select Committee meeting on 20 September 2024:

The Honourable Roger Spink

"It's rather strange, though that come last year, there was no, they were sticking their feet in the ground, and suddenly, just a week before the select committee, they decided to bring out some new packages. Does that not seem strange to you?"


Attorney General

"Well, I mean, I think those, those packages, have certainly been in discussion for some years, but those things have been in discussion for some months. You know, they have not just, just materialized. I mean, certainly things like the unlimited packages that have been introduced, you know, there was discussion about them back in, back in, whenever it was."

- 8.10 The evidence given to the Select Committee in private is not available to the PAC. However, some of the evidence given in public is relevant to consideration of whether or not value for money was obtained for the payments made by FIG under the 2019 and 2022 agreements and is addressed in the Analysis section of this report.
- 8.11 On 20 March 2024, it was announced that Telecoms Development would be one of two key areas of work to be prioritised, "sometimes at the expense" of other work.
- 8.12 It was announced on 3 October 2024 that, following an international tender process that received multiple bids, FIG had appointed Cambridge Management Consulting Limited (Cambridge MC) as telecommunications consultants to "undertake a root-and-branch review of the technical, legal and regulatory frameworks that operate in the Falkland Islands" and "help Executive Council decide on the best routes forward after the end of the current exclusive telecommunications license period".
- 8.13 A team from Cambridge MC visited the Islands during November 2024 and conducted a telecoms survey of both residential and business users. This is not directly addressed at the improvements made under the 2019 and 2022 agreements. However, the outcome of the survey may provide some insight nonetheless, in addition to the customer surveys that have been carried out by Sure SA.
- 8.14 Sure SA's 2019 Customer Satisfaction Survey had originally been postponed until March 2020 to allow time for the broadband improvements under the 2019 agreement to be reflected. However, presumably due (at least in part) to the situation at the time with the Covid-19 pandemic, the response to the 2020 survey was "exceptionally low" and it was considered that it was "not possible to conduct a meaningful analysis of the information received".

- 8.15 The response to the 2021 survey remained lower than that in 2018 and, although there was a 4 percentage point improvement in Sure SA's customer satisfaction for broadband services, it remained "poor".
- 8.16 The results of more recent surveys have not been published by the Communications Regulator. However, in its August 2024 newsletter, Sure said that ratings for its broadband service "showed an overall drop in customer satisfaction from prior years".
- 8.17 In relation to FIG's internal LEO trial, MLA Roger Spink suggested at a meeting of the Legislative Assembly that there was "a hidden subsidy" to Sure SA, based on a comparison between the costs to FIG of a service provided by Starlink (put at £80,000 in the first year) and of services provided by Sure SA (put at £350,000 per year). However, in a subsequent radio interview, the relevant portfolio holder MLA Mark Pollard indicated that this was not a like for like comparison.
- 8.18 The most recent developments (relating to how the Select Committee's recommendations might be implemented and the withdrawal of Starlink services from at least of its customers in the Falkland Islands) are largely beyond the immediate scope of this investigation. However, they would be more relevant to a wider investigation into the effectiveness of how Sure SA is regulated.
- 8.19 That said, in addition to the answer about the ongoing "commercial discussions" between FIG and Sure SA given at a meeting of the Legislative Assembly on 30 January 2025, there are some comments made in statements made about these developments that are relevant to aspects of this investigation. Those have been incorporated into this report where appropriate.

9 - Scope of inquiry

- 9.1 As stated at the outset, the primary purpose of this investigation has been to enable the PAC to assess whether or not there has been value for the money spent by FIG in relation to economy, efficiency and effectiveness.
- 9.2 In 2019 and 2022, ExCo was presented with a range of costed options and consideration had been given earlier in the process to other options that were not, in the end, progressed. It is beyond the PAC's remit to form or express a view on whether the right option was chosen as a matter of policy.
- 9.3 The PAC also has, as part of its statutory role, additional functions:
- to consider and report to the Assembly on the effectiveness of the regulation by the Government of bodies to whom the Assembly or the Government has granted franchises to provide services of a public nature; and
 - to consider the adequacy of the Government's arrangements for the management of financial risk.
- 9.4 
- 9.5 It might have been considered that a wider investigation could be carried out into the regulatory framework within which Sure SA operates. However, this would be a much more substantial project:
- This could easily overwhelm the focused project and distract from it.
 - It would duplicate work being carried out elsewhere.
 - It is also work that is more specialised that could sensibly be carried out by the PAC on its own.
 - It is unlikely that the PAC would have access to all of the information it would require.
- For all these reasons, it is not planned to embark on a wider investigation at this time.
- 9.6 That said, it is worth noting that the 2018, 2019 and 2022 agreements were reached within a framework that had been set by the agreement reached in 2017, which had (in turn) been reached within the context of the agreement that had been reached in 2006. This is something that is pursued to some extent in the Analysis section that follows.

10 - Analysis

- 10.1 It is suggested that whether or not Sure SA has made a profit on the deals made in 2019 and 2022 (and, if so, how much) is not relevant to whether or not FIG has obtained value for money from them – although it might be relevant to the effectiveness of how Sure SA is regulated.
- 10.2 Likewise, it is suggested that Sure SA's overall profits are not relevant to the value for money assessment – that may not even be relevant to the effectiveness of how Sure SA is regulated.
- 10.3 Although much play was made during the Select Committee process that Sure SA had earnings before interest, taxes, depreciation, and amortisation (EBITDA) of 48%, it was pointed out that Sure SA's published accounts cover considerably more activity (both geographically and sectorally) than the company's regulated business in the Falkland Islands. (Under the exclusive licence, Sure SA is required to provide the Communications Regulator with detailed financial information in respect of its licensed activities, but that is not published.)
- 10.4 It was also pointed out that the method that had been chosen to regulate Sure SA in the current licence period had been price control rather than profit control.
- 10.5 It is even suggested that whether or not Sure SA could or would have offered new packages in the absence of potential competition from Starlink is irrelevant. However, it may well be that competition has made Sure SA do something that regulation could not make it do.
- 10.6 It has been pointed out that revenue being "creamed off" by Starlink in relation to one service might have implications for other services that Sure SA provides and that exclusivity was part of the overall regulatory bundle agreed between FIG and Sure SA. (This was implicitly acknowledged by FIG in the update on the implementation of the Select Committee's recommendations that it issued on 3 February 2025.)
- 10.7 This point has been made by, among others, MLA Gavin Short, who addressed it and the context of the 2017 agreement (which was the basis of the Communications Ordinance 2017 and the licence granted under it) in his Motion for Adjournment speech at the meeting of the Legislative Assembly on 25 July 2024, the meeting at which the Starlink petition had been presented and laid on the table:

"As one of my colleagues often reminds me, I was one of those who was in the Assembly that signed the contract which is causing so much grief now. That is true. We had to deal with what we had at the time, to make sure that there was universal provision and that it wasn't just the rich who could opt out, leaving the rest of us mere mortals to foot the bill for an island wide service. There wasn't a queue of companies fighting to work in the Falklands either. However, the future arrived somewhat quicker than I think any of

us anticipated at the time and, we now find ourselves in a position whereby we know that there is a better, faster and one hopes soon to be cheaper option whizzing over our heads. As I said at the meeting in the Town Hall, the future has arrived.

I believe our present telecoms provider could up their game and deliver cheaper and unlimited packages. Maybe not at the speeds of what is now their rival (or could be rival) here in the Falklands can provide, but something that goes a long way to bettering what we have now. FIG has pumped a lot of money in to trying to help Sure improve things, but I am not sure that we are seeing any willingness to embrace these new technologies and lower prices. I am not sure whether their aim is to hang on to their present profit margins for as long as they can but again, I say to them - the future has arrived. You cannot hold back the tide; a faster and cheaper service can be provided."

- 10.8 Something said by the Acting Attorney General (Davina Fiore) at a meeting of the Select Committee on 5 September 2024 is also relevant to this:

"I think the position at that point was that technology was such, it was felt there was great strength in having one exclusive provider, especially given the fact that the number of users on the Falkland Island, relatively limited, and it was felt that would be the best way of achieving the best service for all, for the maximum number of people."

- 10.9 Giving evidence to the Select Committee on 5 September 2024, Sure SA's Chief Executive Officer (Roma Stewart) had this to say:

"As a global business, we have worked in small communities for decades, and we understand the importance of connectivity, both on island and with the rest of the world. The remoteness of the Falkland Islands comes with its own logistical challenges for any telecoms company. Sure, currently provides a full range of telecommunication services to all customers at uniform prices, and it does so regardless of how costly it is to provide services to individual customers wherever their location. Sure, provides services to customers who live in some of the most remotest areas of the Falkland Islands, which would otherwise be uneconomical to serve using their one fee for all.

Under the exclusive Universal Service Obligation, these customers can be cross subsidized from those customers in easier to serve, less remote locations. It is our view that should there be an increase in reset [sic – this should presumably read "VSAT" (Very Small Aperture Terminal)] licenses in the islands and or the licensing of Starlink, it will seriously undermine our ability to do this."

- 10.10 The relative merits of regulation and competition in securing better outcomes and the role of exclusivity in securing a universal service, not to mention the background to the 2017 agreement, are all issues that could only realistically be pursued as part of a wider investigation than the one that has been carried out so far.

Relevant considerations

- 10.11 It is suggested that the key relevant considerations relevant to the value for money test are:

- (1) Did FIG obtain improvements that it could not otherwise have obtained at the time (and not with the benefit of hindsight)?
- (2) Has Sure SA provided the improvements that it contracted to provide?

Did FIG obtain improvements that it could not otherwise have obtained at the time (and not with the benefit of hindsight)?

- 10.12 In relation to (1), the available evidence does appear to suggest that FIG was at least seeking to obtain improvements to broadband provision and mobile coverage in Camp that could not otherwise have been obtained from Sure SA under the regulatory framework in place at the time.

- 10.13 This is consistent with what the (then) Acting Communications Regulator (Attorney General, Simon Young) told the Select Committee on 20 September 2024:

“And I think in terms of the subsidy, as I say, I am not Sure that the subsidy is particularly relevant to this particular question, because what that subsidy is doing is paying for extra satellite capacity that otherwise wouldn’t, wouldn’t be, be paid for out of Sure’s revenues.”

- 10.14 Whether it should have been possible to obtain these improvements without having to pay Sure SA from public funds to provide them is something that could realistically only be considered fully as part of a wider investigation into the effectiveness of FIG’s regulation of Sure SA.

Has Sure SA provided the improvements that it contracted to provide?

- 10.15 In relation to (2), it is difficult to assess without knowing exactly what was contracted for between FIG and Sure SA and this information has not been made available to the PAC.

- 10.16 It can be said that, following the 2019 improvements, the customer satisfaction rating for Sure SA’s broadband service was better in 2021 than it had been in 2018. However, it was not as good in 2024 as it had been in prior years, though that might well have been affected by the OneWeb-related issues earlier in 2024.

- 10.17 In her opening statement to the Select Committee on 5 September 2024, Sure SA’s Chief Executive Officer (Roma Stewart) admitted that not all had gone well with the introduction of OneWeb and that all was still not well at that point in time:

"It is our ultimate aim to ensure we provide a service to the islands which is both resilient and reliable. As such, we are as committed as ever to re-launching the low latency service; we were disappointed and as frustrated as everyone else, when the initial launch in June this year had to be withdrawn. However, testing is continuing at a pace in the background, and once we are completely satisfied that the service is performing at a level we expect, we will re-launch. Providing the islands with two forms of satellite technology, Geo and Leo (sic – this presumably refers to geostationary and LEO satellites) is vital; in doing so, we will have a stronger service as one will complement the other, and together, they will fully enhance the service we provide to business and residential customers. We fully recognize there is a lot more to do and we have further to go to, to fully meet customer expectations."

- 10.18 However, the question of the broadband subsidy was raised by MLAs at the 20 September 2024 meeting of the Select Committee. Answering a question from MLA Teslyn Barkman, Director of Development and Commercial Services (Becky Clark) had this things to say:

"So the broadband contract, which was signed in 2022 contains a specific provision for Sure to provide promptly relevant information to ensure that the subsidy agreed under that contract is being used for the purposes defined in that contract, largely that is being assessed through a series of KPIs which are also attached to that contract as a schedule and which were mutually agreed also in 2022 when the contract was signed.

The data that's required depends on which KPIs are being monitored. So some of it's very simple public information; Have these things been launched? Has this information been provided? Some of it is more complex, commercial information to do with where levels of satellite capacity have been provided from, and how so the amount of data and the sort of data we request varies, and it depends on the KPIs, but I can say that the contract management meetings we have, Sure has never failed to provide requested information."

- 10.19 At the same meeting, the Director also said, answering a question from MLA Roger Spink:


"I have not got the expertise to offer an opinion on international provision of telecoms. I can speak to the current levels of provision in terms of the broadband obligation contract and what I would say is, and I echo in this, what the regulator previously said, Sure has complied with what was asked of them, with the exception of

the introduction of the LEO services, which is a contract management matter.

With that exception, Sure has in fact, exceeded the amount of bandwidth they were required to provide under the broadband obligation. And again, as the regulators previously mentioned, has introduced packages in advance and enhanced from what was required under the price controls of the broadband obligation."

- 10.20 There is no alternative but for the PAC to accept these statements at face value – although access to documents and background information was sought, it was not provided. (There is an explanation of how the investigation has been carried out in section 12 of this report.)

11 - Initial findings

- 11.1 It appears to be FIG's belief that it has obtained value for money, based on the fact that Sure SA has largely complied with or exceeded the requirements of the 2019 and 2022 agreements and that it has provided significant improvements to broadband services that could not otherwise have been obtained.
- 11.2 It would be fair to say that Sure SA's customers have, on the whole, benefited from faster broadband speeds, larger data quotas and lower broadband prices than they might otherwise have done. It would also be fair to say that mobile coverage in Camp has been improved. Both of these are relevant to the assessment of Effectiveness (the outcome in terms of the impact on society).
- 11.3 
- 11.4 On the other hand, achieving these improvements (to the extent that they were delivered) has required a subsidy/investment from FIG of over £1 million per year for 8 years, equivalent to approximately £300 per Falkland Islands resident per year. That is relevant to an assessment in terms of Economy and also to an overall Value for Money assessment.
- 11.5 Concern also has to be expressed that, as soon as 2018, FIG was already being asked to pay for additional services over and above those agreed with Sure SA just a year earlier and that it went on to agree payments of such large sums by way of investment or subsidy (however described).
- 11.6 Moreover, during the failed introduction of OneWeb, Sure SA's customers were not getting an improved service and are still not getting the benefits of a low latency service. Indeed, for a time, Sure SA's customers were not even getting the service they had been receiving beforehand. That is relevant to an assessment in terms of Efficiency.
- 11.7 The current Director of Development and Commercial Services has called that state of affairs "a contractual management matter". Some MLAs have called it "a contract breach". How that matter/breach was being and is being managed is a known unknown.
- 11.8 Another known unknown is whether FIG's payments to Sure SA were reduced to reflect the failure to provide what had been contracted for, whether they remained the same or whether they even increased to reflect increased costs.
- 11.9 Being able to comment on that would be relevant not only to an assessment of whether or not value for money was obtained but also the PAC's role in considering the adequacy of FIG's arrangements for managing its financial risk.
- 11.10 It is unfortunate that the information available to the PAC has been so limited, which has consequently greatly limited the analysis that could be carried out. It has also increased the possibility that there are unknown unknowns.

- 11.11 As matters stand, it would be very difficult to say that FIG has obtained value for money from well over £8 million of government expenditure and there must be well-founded concern that it has not.
- 11.12 Moreover, that figure takes no account of payments made in addition to those made under the 2018, 2019 and 2022 agreements, nor the value of officers' time spent on reaching and managing the agreements, nor money spent on professional services relating to them. It would be very difficult to value the former and no information is available in relation to the latter.

12 – How the investigation has been carried out

- 12.1 The evidence base for this report largely consists of publicly available information. Only some of the additional information that would have assisted the PAC in its work was available to it.
- 12.2 The sources of that information included information obtained from public announcements made by FIG and Sure SA, information published on the Communications Regulator's website, transcripts of meetings of the Legislative Assembly and the Select Committee on a petition presented to the Legislative Assembly in July 2024, a recording of the press conference held in October 2019 and radio interviews given by MLAs.
- 12.3 Following a request made to the Office of the Legislative Assembly, unredacted copies of three relevant ExCo papers (132/18, 133/19 and 114/22) and the annexes to those papers. The corresponding ExCo and SFC minutes were also provided.
- 12.4 However, those papers were provided to the PAC on the basis that they were only to be used for "private discussion". For that reason, information derived from them has been redacted from the published version of this report to the extent that it does not also appear in the public version of the ExCo papers.
- 12.5 Further information relevant to the investigation was requested from the Falkland Islands Government. None of the requested information has been forthcoming and an informal indication was given to the PAC that information would not be made available.
- 12.6 Some (though not all) of the individuals who had been involved with the various agreements were asked to co-operate with the investigation. Others were not asked because they have refused, declined or failed to do so in the past.
- 12.7 None of those who were asked on this occasion have co-operated with the investigation so far. Reasons why not (not necessarily ones that are accepted as valid) were put forward in one case, but not in others.

13 – Proposed next steps

- 13.1 Consideration is being given to the possible use of the PAC's statutory powers in order to obtain further information and co-operation and provide more definitive answers to the questions that lie at the heart of this investigation.
- 13.2 A complete assessment of the 2019 and 2022 agreements would require information about the terms of those agreements (in particular, the KPIs for those agreements) and also about how performance and compliance have been monitored and managed.
- 13.3 That information would also supply part of the picture about how FIG's financial risk was managed in the context of the failed integration of OneWeb services in early 2024.
- 13.4 It is not proposed at this time to embark on a wider investigation of the regulatory framework within which Sure SA operates.
- 13.5 However, although the amounts involved in relation to the 2018 agreement and subsequent improvements in Camp mobile coverage are dwarfed by the £8.4 million involved in the 2019 and 2022 agreements under broadband, they do have a social significance in relation to rural development and Sure SA's Universal Service Obligation under its exclusive licence.
- 13.6 For those reasons, it may well be that the smaller amounts spent on Camp mobile coverage are still worth investigating.

14 – Recommendations

- 14.1 In the absence of detailed information in key areas, the recommendations made in this report are, of necessity, less specific than would otherwise have been the case.
- 14.2 However, the PAC does make the following recommendations, based on the information that was available, in relation to the issues identified during this investigation:

Recommendation 1(a)

To the extent (if any) that this has not been done already, FIG should seek to reach an agreement with Sure SA about appropriate Key Performance Indicators (KPIs) to be met before outstanding and remaining payments are made under the 2022 Agreement.

Recommendation 1(b)

When any future agreement is reached with Sure SA (or a new provider) in relation to payments by way of subsidy/investment, appropriate KPIs (and appropriate incentive/liquidated damages arrangements) should be put in place as part of the agreement.

Recommendation 2(a)

To the extent that arrangements for monitoring Sure SA's performance of the 2022 Agreement (both generally and against specific KPIs) are not already in place, these should be put in place as a matter of urgency.

Recommendation 2(b)

To the extent that arrangements for monitoring Sure SA's performance of the 2022 Agreement (both generally and against specific KPIs) are already in place, these should be reviewed in the light of the issues that have arisen (particularly, in relation to the integration of OneWeb in 2024) and changes made to those arrangements as required – this should be done as a matter of priority and certainly before further payments are made under the 2022 Agreement.

Recommendation 2(c)

Steps should continue to be taken to improve the value for money obtained by FIG under the 2022 Agreement by securing repayments from Sure SA and/or compensation for Sure SA's customers for any failure by Sure SA to meet its obligations under the 2022 Agreement.

(As an observation, however, it is recognised that steps were already being taken and also that there may be a wider commercial context in relation to any agreement that might be reached with Sure SA beyond the expiry of the 2022 Agreement,)

Recommendation 2(d)

If there are contractual issues or breaches during the remaining life of the 2022 Agreement or in relation to any future agreement with Sure SA (or a new provider),

steps should be taken at the earliest opportunity to mitigate the effect of these and to secure the best outcome for FIG (and for customers).

Recommendation 3(a)

When making future arrangements for telecommunications services beyond the end of 2027, FIG should continue to take expert advice (such as that being obtained from Cambridge MC) in relation to current requirements and future developments.

Recommendation 3(b)

FIG should also take (or continue to take) steps to seek information from stakeholders in relation to customers' current and anticipated requirements and should take proper account of these when decisions are being taken in relation to future arrangements for telecommunications services.

Recommendation 3(c)

Other professional advice (such as specialist legal advice) should also be obtained if and as required in relation to future arrangements for telecommunications services

- 14.3 As an observation rather than a recommendation (as such), it is noted that a balance needs to be struck between allowing competition and maintaining universal services.
- 14.4 It should be noted that many of the recommendations that are being made have wider application to FIG procurement, not just in relation to the agreements with Sure SA: agreeing KPIs, monitoring compliance and taking action when performance falls short are good practice in relation to most, if not all, procurement contracts.