

# Mediapolis: Commercial and regulatory issues

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# Developments with a high-tech theme

## Key characteristics for success:

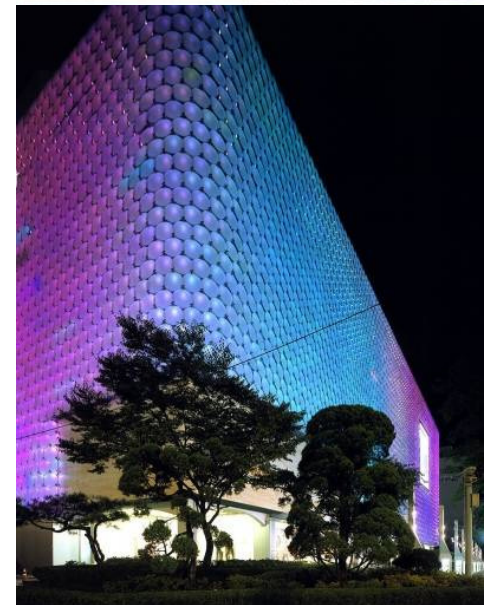
- Anchor tenants who establish the theme
- Priority tenant types
- Infrastructure provision
- Service provision
- Associations e.g. local university
- Effective marketing

**... none of which means that rents can be at a premium!**



# International experience: business models

- Freezone model
- Teleport model
- Cluster model
- Incubator model



# International experience: Freezone model

Tax exemptions provided within a defined geographical area for businesses with export focus.

## *Example: **Dubai Internet City and Media City***

- Personal and corporate tax exemption for 50 years
- Relaxation of rules on foreign ownership and repatriation of profits
- Help with government transactions
- MAN and IP network facilities

Incentives have attracted regional offices of ICT majors.

**Dubai Media City** is located within DIC, with studio facilities (Studio City).

# International experience: Teleport model

Tenants have access to more advanced, or cheaper ICT services.

Originally international calls, now offers:

- state-of-the-art buildings
- Good quality high bandwidth transmission
- avoiding national controls on Internet

## *Example: **Sohonet***

- Started as wide area ATM network linking post-production houses in Soho, London
- Now a global network

# International experience: Cluster model

Group of related businesses sharing the same space and benefitting from interaction and reduced transaction costs.

## *Example: Silicon Valley*

Cluster effects emerged in 1990s:

- Concentration of technically skilled people attracted dotcom startups;
- Venture capital businesses located alongside dotcoms.

# International experience: Incubator model

Business incubators consist of a group of start-up companies sharing the same space and being mentored by the host of the incubator and its administrative services.

## *Example: iCentre, Brunei*

- Mentoring role provided by National University of Singapore
- Admin services by NUS Enterprises

# International experience: Media City/Park

Media City/Parks are examples of the Technology Park model:

- Cambridge Science Park in UK and Sophia Antipolis in France both date from 1970.
- Now many, varied developments around the world
- *Example: **Mediacity:uk***
- HDTV studio, postproduction facilities and high bandwidth network
- BBC as anchor tenant

# Mediapolis: Contracting Options

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# Contracting options

- Special requirements for ICT/Media services
- Variants on standard commercial models
  - PPP models
    - ICT in PPP
  - Technology partnering
  - Shared services
  - Outsourced services
- Lessons learnt and application to Mediapolis

# Modification of general commercial principles for ICT infrastructure and services

- **Sharing while competing**
  - All networked businesses share services at some level
  - key services must be provided independently
  - flexible contracts required through business life cycle
- **Partnership versus adversarial relationships**
  - in business, adversarial is the default setting for contracts
  - trust has to be built through repeat business (PPPs, being one-off, cannot rely on trust so rely on complex contracts)
- **Roles, risks and rewards**
  - decide who invests, guarantees, sponsors
  - identify, assign, mitigate risks
  - align risks and incentives

# Implications for ICT services contracts

## Elements of contracts affected:

- Risk and cost sharing through payment arrangements (milestone payments, service payments, delay payments, incentives, etc.)
- Information sharing (Open book, value for money checks, audits, benchmarking)
- Sustaining the relationship (Choice and retention of key personnel)
- Backstop provisions (Step-in, suspension and termination)

# PPP Models

PPP conserves scarce public sector resources while gaining efficiency benefits through private sector incentives

## 1. Types of PPP Relationship

- Strategic partnership
- JV
- Franchise
- Private ownership of assets.

## 2. Types of PPP Contract:

- Management contracts
- Turnkey projects
- Leasing
- Concessions
- DBFO, etc.

# PPP Project Example: Sports Hub

- Fitting ICT within a PPP framework:
  - Duration of contract
  - Measuring performance
    - Availability
    - Usage
    - Impact
  - Technology refresh
- SSHC offering a managed services contract with enhanced services for events
- Incentive structure:
  - Benchmarking
  - Index linking
  - Contract renewal

# Technology Partnering

## Commercial principles:

- Scope of ICT infrastructure and service provision is determined through procurement process
- Unlike PPP, commercial framework can cope with unpredictable demand
- Price and quality (SLA) continually re-set at market levels
- Initial capital contribution if necessary to secure partnership
- Revenue share - no continuing subsidy.

# Shared services

- Shared services can be organised between different divisions of the same organisation (internal model), or as a JV between businesses.
- Scope of shared services defined by users
- No recourse to specialist providers
- Usually applicable to ancillary services (IT support, HR, supply chain management, finance etc)
- Commercial framework based on cost-sharing, supported by benchmarking.
- Typically require consultants to set up and monitor Shared Service Centres.

# Outsourcing

- Scope of services tailored by specialist provider for each user
- Applicable to both start-ups and established businesses

## *Example: BBC and Siemens*

- Siemens purchased BBC Technology Ltd for £150 million in return for a 10 year framework contract worth £1.5 billion
- Cost savings achieved at annual rate of more than £20 million per year against baseline costs. Quality gains not easily assessed, though both parties believe them significant.
- Intended also to be a strategic partnership, but parties unable to agree on benefit sharing for high level activities.

See NAO Report - **BBC Outsourcing: The contract between the BBC and Siemens Business Services for the provision of technology services**

# ICT Infrastructure Provision at Mediapolis

- Lessons learnt:
  - Networked working the basis for collaboration among media businesses
  - Demand for shared services varies over business lifecycle
    - New enterprises need a lot of support
    - Global businesses prefer in-house solutions but increasingly willing to share or outsource ICT services
  - Licensed operators best placed to provide network access
    - Bandwidth plentiful
    - Built-in risk sharing
- Contracts for shared facilities and services involve additional complexity and set-up costs. Perceived business benefits must clearly exceed these costs.