

International Civil Aviation Organization

ICAO

**Ninth Meeting of the Common aeRonautical Virtual
Private Network Operations Group (CRV OG/9)**

Video Teleconference, 25 – 27 January 2022

- Agenda Item 6:** CRV contract management
– Upgrade/Downgrade CRV Circuits Subscribed

UPGRADE/DOWNGRADE CRV CIRCUITS SUBSCRIBED

(Presented by PCCW Global Limited)

SUMMARY

This information paper highlights the CRV contract T&Cs and lists some examples to illustrate the cost implications due to the change of the CRV services.

1. INTRODUCTION

- 1.1 In 2018, after two years discussion & negotiation, the CRV contract framework (*Common Packages - Fixed 5-year initial terms and subsequent yearly renewal up to December 31, 2027*) was agreed between ICAO, CRV OG and PCCW Global. With this agreement, PCCW Global customized and committed various service packages riding on self and third parties' resources to offer the service to State CRV users in fixed 5-year terms with favorable rates. Consequently, CRV user committed to pay the agreed monthly charges over the contract period (Total Contract Value).
- 1.2 This paper highlights the implications in related to upgrade / downgrade the existing CRV services within the contract period.

2. DISCUSSION

- 2.1 The CRV contract is bound by the agreed Terms & Conditions document and Additional Terms & Conditions in the "Service Order Form" of the common packages.
- 2.2 The Service Order form describes the subscribed CRV package, the corresponding charges and the terms respectively. The total contract value (TCV) = one time installation charge + monthly charges x 60 months (i.e. 5 years). If the service is terminated before the expiry of the fixed contract period, the cancellation charge will be the sum of monthly charges of the remaining months. PCCW Global endeavor to minimize the cancellation charges in the consideration of the customer will subscribe another CRV package. The actual will be confirmed once a formal request is submitted

2.3 The variation of contract should be a mutual agreement between CRV user and PCCW Global according to T&Cs. PCCW Global approval process for the change of contract includes several stakeholders, such as, senior management, legal office, financial department, audit department and third parties’ resources owner, etc. They will consider two major factors: a) total contract value and; b) pre-mature contract penalty/cancellation charges.

2.4 Below are the hypothesis cases to illustrate different scenario.

Assume package monthly price (5-year contract terms) for customer site Z are as follows:

Package C (1M) = \$500

(Remark: One time installation charges are applied for new/upgrade/downgrade, subject to site survey. It is taken out in below examples to simplify the calculation)

In the first year, customer subscribed package C (1M) for 5-year contract terms (TCV\$30,000).

2.4.1 Terminate “Package C (1M)” contract in the third year (remaining months = 24)

Cancellation charges = \$500 x 24 months (remaining months) = \$12,000

2.4.2 Downgrade from “Package C (1M)” to “Package C (512k) or Package D” in the third year (remaining months = 24)

According to Service Order T&C, the early termination charge is the total remaining months (24 months) charges of the existing “Package C (1M)” contract = \$12,000 (cancellation charges) but subject to below:

- Pre-mature contract penalty due to the change of package (e.g. local, global, management resources, new contract TCV) will be applied. PCCW Global endeavor to minimize the cancellation charges in the consideration of the customer will subscribe another CRV package which may keep using existing NID and local loop. The actual will be confirmed on case by case basis.

If the new “Package” contract is less than 5-year term, the new monthly charge will be confirmed once a formal request is submitted.

Contract period	
5 years	Quotation is based on "price sheet_6 Package"
4 years	budgetary 10% increase loading under on "price sheet_6 Package"
3 years	budgetary 20% increase loading under on "price sheet_6 Package"
2 years	budgetary 30% increase loading under on "price sheet_6 Package"
1 year	budgetary 40% increase loading under on "price sheet_6 Package"

2.4.3 Upgrade from “Package C(1M)” to “Package C(2M) or Package A (1M)” in the third year (remaining months = 24)

According to Service Order T&C, the early termination charge is the, total remaining months (24 months) charges of the existing “Package C (1M)” contract = \$12,000 (cancellation charges). Under normal situation, the cancellation charges can be waived but subject to below:

- Pre-mature contract penalty due to the change of package (e.g. local, global, management resources) will be applied. However, PCCW Global endeavor to minimize the cancellation charges in the consideration of the customer will subscribe another CRV package which may keep using existing NID and local loop. The actual will be confirmed on case by case basis.
- If the new “Package” contract is less than 5-year term, the new monthly charge will be confirmed once a formal request is submitted.

Contract period	
5 years	Quotation is based on "price sheet_6 Package"
4 years	budgetary 10% increase loading under on "price sheet_6 Package"
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3. ACTION BY THE MEETING

The meeting is invited to:

- a) note the information contained in this paper;
- b) States understand their contract commitment as well as the cost implications due to amendment of the contract;
- c) suggest States to plan and dimension their CRV requirement before placing the order;
- d) CRV OG might consider to extend the contract framework end date in view of postponed implementation plan due to COVID-19; and
- e) discuss any relevant matter as appropriate
