

Utility Telecommunications Service Providers -- Business Opportunities and Issues

Utility telecommunications service providers (sometimes called “utelcos”) are service providers that are owned by or affiliated with electricity, gas and/or water utilities.

While there are many synergies between utility and telecommunications services (and in the past telephone service was thought of as a utility), there are important differences.

The successful utelcos will be those that identify and manage these differences and move forward to seize attractive business opportunities in an effective way.

Identify and Benefit from Synergies

Rights of way represent a strong point of synergy. Electric, gas and water utility rights of way, poles, ducts and pipes are valuable to utilities and third parties for laying telecommunications cables where the underlying easements and permits allow this.

For electric utilities, for example, poles and ducts are immediately useful. Also much of the same workforce can readily be applied to communications cable planning, deployment and maintenance.

Other possible points of synergy include:

- Existing commercial relationships with commercial, industrial, public sector and residential entities that potentially could be telecommunications customers
- Existing billing and collections structure
- Often their own telecommunications networks for telecontrol and internal communications (but the nodes on these networks typically not located near potential customers)

- Related interests with telecommunications components, such as remote meter reading, real-time pricing and demand-side management

Recognize and Manage the Differences

In comparison with telecommunications, changes in the basic utility business are infrequent and the organizations and owners are typically risk-averse. Utility deregulation is impacting this modestly in some jurisdictions, but the rate of service creation and technological innovation, and the level of competition, is significantly different in telecommunications.

The key utelco decision for utilities is how far from their base business should they venture and how quickly. Greater departure from the base business is associated with greater potential reward, but also a greater learning curve and a greater risk level.

Maintain a Clear and Sensible Vision

It’s important to be clear, sensible and realistic at the outset about what the utility’s owners hope to achieve by diversifying into telecommunications. The utelco initiative must identify one or more sustainable competitive advantages that fit with the role set for it by its owners and by law.

For example, if the motivation is simply to bring in more revenue from existing infrastructure in the context of the basic utility business model, then a full-service utelco will likely not be able to withstand the onslaught of highly-motivated competitors. In such a case, the utelco should stay close to its base business strengths, e.g., by simple provision of dark fibre as one example.

Utility Telecommunications Service Providers -- Business Opportunities and Issues (continued)

An alternative utelco motivation might be to promote competition and/or economic development, by introducing a new retail or wholesale service provider into the market. In such a case, the utelco must be set up and operated as a viable, creative, competitive, risk-taking service provider. The source of funding for the utelco operation is a critical success factor that must be addressed early in the assessment.

A Wide Range of Business Opportunities

Utelco business opportunities in the above context include the following, which are arranged roughly in ascending order of complexity and risk:

- Provide space in ducts and pipes, on poles, and on rights of way
- Install and maintain cables
- Provide dark fibres in utelco or utility cables
- Provide accommodation, power and/or backhaul for cellular cell sites
- Provide WiFi hotspots
- Maintain and expand all the local telephone and cable television distribution plant
- Provide wide-area data and/or telephone services to municipal, university, school and hospital service points
- Provide long-distance data, telephone and/or Internet peering services
- Provide local telecommunications services for remote meter reading and demand-side management
- Provide local telephone and/or high-speed data service

Moving Forward

Planning and operating a utelco requires the following activities:

- Gather knowledge about the competitive landscape and trends in services, prices, costs and regulations
- Define strategy and vision
- Survey potential customers , and otherwise estimate demand
- Prepare a documented business plan including a communications plan
- Seek public and/or private funding
- Seek necessary approvals
- Plan, purchase, install and maintain the infrastructure
- Define and deploy processes and systems
- Define and populate the jobs
- Market, qualify, sell and promptly provision the services without exceeding customer acquisition costs and with low infant mortality failures
- Present accurate bills on time, and collect promptly
- Answer the customer queries promptly and effectively, and treat customers as adults
- Fix faults quickly and effectively
- Act to minimize churn
- Track and report progress in ways that relate to the success of the business
- Correct gaps
- Plan for next financial period

We have hands-on knowledge and experience of all these activities.

To learn more about us, please contact
Roger Hay
roger@rogerhay.ca
Telephone +1-905-616-4429