

Utility companies with national and local wayleaves can have unique opportunities for cost leadership in the provision of telecommunications services by using their power, water and waste water networks to support telecommunications infrastructure. The time is right to consider opportunities in the telecoms sector.

## Why now?

- **Mature technology for delivering telecoms services over power and other utility networks.** Technology for delivering telecommunications services over the power transmission and distribution network and through water and waste water pipes is mature. Utilities in several countries have been using this technology for several years.
- **Re-engineering in the telecoms sector.** The 'fixed' telecoms business is going through a period of fundamental re-engineering. Telcos have been re-engineering their service infrastructure to reduce their cost base and in preparation for further service innovation. They are now replacing copper access networks with fibre networks to deliver the faster broadband services that the market is demanding. This re-engineering means that established telcos, like market entrants, are having to invest in their networks and no longer have the advantage of depreciated assets.
- **Telco's capital requirements.** Re-engineering coupled with competition in the sector may stretch telcos' ability to fund necessary investment without a significant impact on profitability. Telcos are likely to be slow at building out their new networks. Municipalities are already looking at alternative means of providing broadband services.
- **Low cost and high performance.** Power and other utilities may find that they can deliver high performance fibre access networks at a lower cost than the incumbent telecoms operator over their medium voltage and low voltage distribution networks, particularly where these are carried on poles. Water and waste water utilities can use their pipe infrastructure in a similar way. Power companies can also use their power transmission network to deliver telecoms transmission services at a low cost at a time when capacity requirements are doubling every two years.
- **New services into existing markets.** Power and water utility customers generally take telecommunications services as well. This market characteristic is well recognised and has been exploited by super-utilities that resell telecommunications services. Further value may be available to utilities by investment in new telecommunications infrastructure.

## Market entry propositions

Utilities can take one of a number of positions in the telecoms market.

- Wayleave provider
- Dark fibre provider
- Carriers' carrier
- Provider of business services
- Full service operator providing services to SMEs and residential customers as well as larger businesses

The attractiveness of such propositions will depend on the utility company's current operations and market focus, the extent of suitable infrastructure and the company's desire to diversify.

At the minimum, further exploitation of its assets to provide dark fibre or carriers' carrier services may benefit both the underlying utility business through cost sharing with the telecoms business, whilst also delivering additional revenue opportunities with a minimum requirement for investment in a sales force and customer billing and support services.

For those with an appetite to sell directly to end users, and who have the opportunity arising from suitable infrastructure and market focus, there is the potential to provide business services and even consumer services using new low cost service platforms.

## Intercai's experience

Intercai Mondiale is a management consultancy focused on the telecoms sector. Intercai works for market entrants, established operators, and suppliers to those businesses. Intercai also works for ICT policy makers and regulators in Europe, the Middle East and Africa.

Intercai has worked with power companies in the Netherlands, UK, other European countries and Kenya to evaluate opportunities for utilities in telecoms, to develop business plans for the provision of telecoms services over power transmission and distribution networks, and to implement those plans.

We can advise on the issues that will arise in terms of the economics of the business, health and safety, engineering, markets and regulation.

## More information

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