

NATIONAL POST

Utilities shake up telecom market

'they are a real spoiler'

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PLUGGING IN: Electric utilities hope consumers will prefer Internet services received through the power grid.

Canada's telecommunications market is getting more competitive as electric utilities roll out plans to offer Internet service over electric lines and accessible through the socket in your wall.

In the past two weeks, Toronto Hydro Telecom Inc. and Hydro-Québec have made moves to bring attention to their telecom efforts. Toronto Hydro Telecom held a tour of their facilities yesterday where they provided details about their strategy and introduced their new president, Ian Miles.

Last month, Hydro-Québec said it is planning to offer high-speed Internet service over its power lines to compete with cable and telephone companies.

The utility, which already uses signals over its power lines to control stoplights, said it will start testing the service in January and hopes to offer the Internet access in a few years.

At a recent telecom conference, Ian Angus, president with Angus Telemanagement Group Inc., said utilities are becoming more important players in the public sector, wholesale and Intranet markets.

"Like system integrators, they are a real spoiler in the business right now," he said. "They are shaking up price levels and seriously worth considering. It could lead to the rebirth of [competitive local exchange carriers]."

Utilities entering into the telecom business has been happening in North America for nearly a decade.

In the United States, a big impetus was the Telecommunications Act of 1996, which deregulated the market. Many of these efforts, however, did poorly because there was too much capacity and not enough business.

Mr. Miles said Toronto Hydro Telecom has been in business since 1994 but it has been a "well-kept secret" even though its clients include banks and insurance companies. He said the company, a unit of Toronto Hydro Corp., has seen good growth by focusing on high-end data services over its 450-kilometer fiber optic network that connects more than 440 buildings.

"The approach we have taken to the marketplace keeps us in the high-margin end," he said. "We only deliver services 100% on net, we do not wholesale. That helps us control service quality and keeps margins at a premium."

The company's services include dedicated Internet access, private lines, video transmission, disaster recovery and metro local area networks. This put it in direct competition with Bell Canada, Telus Corp., Allstream Inc. and Call-Net Enterprises Inc.

Bell Canada spokeswoman France Poulin said it is competitive marketplace that gives customers the ability to choose from a variety of suppliers. "Obviously, customers have choice today, and may, as part of their redundancy strategy, do business with other companies, including utilities, that offer such services."

Mr. Miles said a key to Toronto Hydro Telecom's success is its conservative and prudent financial strategy. "It is not a 'Build it and they will come' approach, which is what a lot of pure telecom companies took," he said. "Our approach was and still continues to be today, secure customer contracts, stay focused and don't try to be all things to all people."

Tom Adams, executive director with Energy Probe, said one of the challenges facing utilities that have telecom operations is maintaining a "hermetic seal" between the two businesses. The danger, he said, is that you do not want to have regulated utilities subsidizing unregulated business units."