

Click! Network

Telecommunications Strategic Plan B

Tacoma Public Utility Board Meeting
June 27, 2012

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Presentation Agenda

- Overview of Events
- Spirit of Plan A
- Concerns raised by the ISPs
- Spirit of Plan B
- Plan B
- Contrasting Plans
- Contrasting 10-Year Financial Models
- Plan B Pilot Program
- Next Steps

Overview of Events

- Presented New Services Proposal (“Plan A”) to the Utility Board on January 11, 2012
- ISPs raised concerns to the Board about Click!’s Plan A
- Provided a follow up presentation to the Board on January 25, 2012 to address ISP concerns
- ISPs asked Board for an opportunity to help mitigate Click!’s financial deficit by growing their own customer bases
- Board directed staff to shelve Plan A and work in good faith with the ISPs to develop an alternative business model (“Plan B”)
- After several meetings, Plan B has been developed
- To determine feasibility of Plan B, a Pilot Program is proposed for implementation

Spirit of Plan A

- Plan A was formed on basis of recommendations in Click!'s 10-year strategic plan
- Plan A intended to address:
 - Financial deficit by expanding retail products to include Internet and Phone
 - Present customers with a value oriented service bundle
 - Position Click! competitively in the market to ensure financial viability of the enterprise
 - Eliminate operating inefficiencies

Concerns raised by the ISPs

- Click! should not pursue bundling
- Should bundling be pursued, it must be done through the ISPs
- Want faster Internet speeds (DOCSIS 3.0 service)
- Ability to design their own products
- A streamlined process for scheduling multi-product service orders
- Hold wholesale rates – no rate increase
- Joint marketing opportunities
- Ability to do cable television installs
- Supply their own bandwidth/IP circuit
- Self service portal for customer

Spirit of Plan B

A replacement of Management's original plan (Plan A) to resolve Click! financial deficit ensuring its future viability by deploying retail Internet and Voice over Internet Protocol phone service with a new plan (Plan B) that resolves Click!'s financial deficit through the three wholesale Internet Service Providers who have agreed to generate 6,000 incremental Internet subscribers, increasing subscriber counts from nearly 18,000 today to 24,000 over the next two biennium (end of 2016).

Plan B

- Click! Commitments:
 - Enable DOCSIS 3.0 service
 - Build packages based on ISP specifications
 - Wholesale pricing scheme
 - Option for ISPs to sell Cable TV service
 - Solve the multi-product ordering fulfillment process
 - Continue co-op marketing program
 - Open communication channels
- ISP Commitment:
 - Grow 125 new Internet customers each per month over the next two biennium (end of 2016)

Contrasting Plans

■ Plan A:

- Addresses financial deficit through revenue growth from new products and services
- Click! provides retail Internet and VoIP phone service and product bundles
- Eliminates operating inefficiencies
- Creates convenience for customers

■ Plan B:

- Addresses financial deficit through subscriber and revenue growth from 6,000 new Internet subscribers by 2016
- Bundles through Click! and ISPs
- Does not eliminate all operating inefficiencies
- Creates some convenience for customers

Contrasting 10-Year Financial Models 2011 - 2020

	Base	Plan A	Plan B
Total Revenue	\$272,799,420	\$303,312,150	\$298,104,438
Click! Comm. Expense	247,187,709	266,085,903	260,783,786
Operating Cash Flow	\$25,611,711	\$37,226,247	\$37,320,652
Comm. Capital Exp*	(12,630,159)	(12,630,159)	(12,630,159)
Inferred Debt Service**	(20,874,037)	(20,874,037)	(20,874,037)
Net Cash Flow – Comm.	(\$7,892,485)	\$3,722,051	\$3,816,456

Plan B Pilot Program

- Objective:
 - To test the feasibility of the spirit of Plan B in generating customer growth as committed by ISPs to resolve Click!'s financial deficit situation
- Duration:
 - 90 day trial period - August 1 through October 31, 2012
- Deliverables:
 - Click! will deliver DOCSIS 3.0 service, new packages built to ISP specifications, flexible wholesale pricing scheme, option for the ISPs to sell Cable TV products as a bundle, multi-product fulfillment solution, and avail marketing co-op funds
- Success measure:
 - ISPs combined must have generated 125 new Internet customers per month for a net gain of 375 units by EOB on October 31, 2012

Next Steps

- Report back to the Board with the results of the Pilot Program on August 8, 2012
- Propose recommendations for next steps based on results of the Pilot Program
- Receive direction from Board