

Pipeline

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Telecoms Miss Out on Red Light Revenue

By Ed Finegold

If you're driving in Chicago and come to a red light, make sure to stop. While this is a good idea in any major city, it is especially so in Chicago. One-hundred and one intersections are now equipped with camera-based systems that automatically record infractions and issue citations to motorists who ignore red lights. These robots have generated more than \$72 million in revenue for the city and have succeeded in reducing red light running incidents and collisions at the equipped intersections. Redflex, the Australian company that supplies the technology, saw a 41 percent increase in revenue last year thanks to its success in implementing this kind of program in cities around the world. The problem for telecommunications providers, however, is that they are barely sharing in the spoils. For an industry that knows its future is in applications that add value to connectivity, this is one great opportunity missed.



The Redflex Solution

Redflex's solution is relatively straightforward. Motion sensing cameras are mounted atop light poles, on free standing stanchions, or in other places where they have a clear view of a targeted intersection. When automobiles fail to stop at red lights, the cameras snap time and date stamped digital photos or video of the car, driver, and

license plate. The photo is then sent across a telecommunications network – either over a landline or wireless IP connection – to servers that are responsible for identifying the car’s registered owner. A \$100 citation is automatically generated and mailed to the alleged offender.

Redflex’s solution is integrated with Chicago’s online citation tracking and payment portal. Drivers can visit a URL, enter the ticket number, and track the amount and due date of their fine and the status of any payment made. On this site, drivers can view snapshots of the alleged offense in cases where they’ve been accused of – or caught - running a red light. Drivers can also pay fines by credit or debit card through this site. The functionality behind this portal is supplied by a third party vendor, according to Ed Walsh, spokesman for the City of Chicago’s Department of Revenue. The Department of Revenue also has its own IT staff that manages the servers, applications, and networking infrastructure involved in providing this online service.

Safety and Big Money in Traffic Violations

A statement from Chicago’s Office of Emergency Management and Communications says that “the number one priority of the red light camera program has always been the safety of our residents.” OEMC explains that in cooperation with the city’s police department, ten intersections were identified as hot spots for fatal accidents resulting from red lights being ignored. The first sets of cameras were installed at these intersections in 2003. Since that time, accidents at these intersections have decreased by an average of 24 percent. Red light running incidents have decreased by an average of 59 percent across all of the intersections equipped with red light cameras.



The image is a conference poster for IIR Telecoms. At the top left is the IIR Telecoms logo, which consists of a stylized globe icon followed by the text 'IIR Telecoms'. The main title of the conference is 'Optimising OSS & Service Provisioning', displayed in large, bold, blue letters with a slight shadow effect. Below the title, the dates and location are listed: '13th-15th October, Moevenpick Hotel, Prague'. Further down, the registration information is provided: 'To register: CALL +44(0)207 017 7483 or EMAIL registrations@iir-telecoms.com'. At the bottom of the text, it says 'Quote the VIP code CG2496PPL'. The bottom portion of the poster features a collage of three images: on the left, a cityscape at night with illuminated buildings; in the center, a large, modern building with a curved facade; and on the right, a view of a city with a prominent tower and a statue on a hill.

According to a report in the Chicago Tribune dated August 1, 2006, initial tests of Redflex’s technology demonstrated to city officials that a single camera could generate as much as \$13,140 per hour for the city. It is therefore no surprise that OEMC has awarded Redflex with a five-year, \$52 million contract extension that calls for up to 220 new red light camera intersections. Under the original contract, each installation ran at a cost of \$100,000 to the city. Under the new contract, for

which Redflex was the lowest bidder, Chicago will pay \$24,500 per installation. Doing some quick math based on the numbers above, the cost to install and maintain these new cameras should be recovered in less than a day.

Doing the math also begs the question – to what purpose is the rest of the money applied? Two-hundred twenty cameras at \$24,500 each only adds up to about \$5.4 million. That leaves about \$46.6 million that isn't accounted for by camera installations. OEMC's fact sheet mentions that the new contract will continue to allow motorists to access evidence – i.e. photos or video – of their infractions online. But \$46 million seems like a steep price for Chicago to maintain what is essentially a private YouTube for traffic violations. OEMC claimed to be uninformed regarding the technical intricacies of the Redflex solution. The Department of Revenue similarly did not have much visibility into its inner workings. April Lynch of the FKM Agency, which operates as Redflex's public relations agency of record, said that she was not able to find a Redflex expert that was available to answer our questions.

This leaves us to our own suppositions, based on an extensive knowledge of telecommunications networks and associated applications. The camera systems and back end servers need to be maintained, monitored and repaired. Further, someone needs to monitor and pay for the connectivity between the cameras and the back end. According to the Department of Revenue's Walsh, and corroborated by OEMC's spokeswoman, Jennifer Martinez, Redflex provides the city with a turnkey service. Though neither could confirm the precise details, evidence points to a scenario where Redflex contracts directly with telecommunications providers for the connectivity and bundles it in as part of its end-to-end application.

Telecom is Missing Out

Here's where the real travesty for the telecom industry comes to the forefront. A small company from Australia wins a \$52 million contract with a major U.S. city to supply what are essentially telecommunications services and applications that generate revenue. Redflex didn't invent digital cameras, motion detection technology, databases, websites, or network connectivity. But they did manage to put all of these existing technologies together into a tidy package while cutting major telecom players out of the big money. Isn't this the kind of innovation and segmented service packaging the entire telecom industry has been talking in circles about for the past several years? Congratulations telcos, you just had your hat handed to you by a start-up company that's growing like a California wildfire.

AT&T is the big dog in Chicago when it comes to telecom, but its getting little more than table scraps – if that much – in what turns out to be a windfall for both Redflex and the city. Remember, neither the city nor Redflex managed to reveal which telecom supplier is actually providing the connectivity on which the red light cameras rely to do their jobs. This author suspects that the city's spokespeople don't actually know the details. Redflex, on the other hand, probably would prefer not to comment because it likely knows the major telecoms could, in theory, replicate its service at a lower cost.

The story – and the cash flow – doesn't end here. Following the success of the red

light camera program, Chicago's Department of Streets and Sanitation awarded a three year, \$7 million contract, announced on April 22, to Affiliated Computer Services, Inc. (NYSE: ACS) to install and maintain 100 camera systems on the city's street sweepers. The department claims that the program is intended to reduce the number of vehicles illegally parked on streets scheduled for cleaning. A pilot program has been conducted already that proved the effectiveness of equipping street sweeping vehicles with rugged cameras. These capture images of illegally parked autos and use ACS' Mobile License Plate Recognition technology to capture zoomed-in images of their tags.

As the monstrous street sweepers roll down a given thoroughfare, the automated system will shoot photos of violating vehicles and transmit the data wirelessly for image verification. Like the red light camera systems, the street sweeping camera system will integrate with the Department of Revenue's systems to mail violation notices and track and collect payments. In addition to its camera and recognition systems, which ACS provides to government agencies in more than thirty countries, the company will provide training for city employees as part of the contract. Interestingly enough, Kevin Lightfoot, vice president of corporate communications for ACS, promised to identify an appropriate source to discuss how the technology is implemented and which telecoms will supply wireless connectivity - and was not heard from again. It seems that also like Redflex, ACS understands that it is making hay off of telecoms' failure to deliver this kind of application and would prefer not to poke the sleeping bear.

Ultimately, what this amounts to for the telecom industry is evidence that a lack of innovation and failure to deliver on lip service results in millions, perhaps billions, in lost opportunities. Governments need to find ways to raise money, avoid raising taxes, and spin new programs as public safety efforts. They spend millions on their own IT staff, and pay vendors premium prices not just for technology, but also for what is likely a mark-up on telecom connectivity. Companies like AT&T and Verizon, as well as their wireless counterparts, should be winning these deals and blowing companies like ACS and Redflex out of the water. But they aren't.

Instead, folks in telecom are spending plenty of time talking about innovating new applications while fighting a price war with cable and satellite companies to deliver TV service or all-you-can-eat wireless. Google makes billions on telecom's back thanks to net-neutrality protection. But companies like Redflex and ACS are simply out-thinking and outmaneuvering major telecoms in their own backyard. Folks, it is time to stop yakking and to start paying attention to these missed opportunities. As we try to race forward, however, let's all remember to stop at the red lights - especially in Chicago.

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