



COMMUNICATIONS LIFE
Fahad Al Hassawi

Utility of cloud computing

Public clouds reduce the cost and risk of using IT assets



Attendees are seen in the Cloud Expo room during the DreamForce 2011 conference in San Francisco, California. The annual DreamForce conference brings together leaders in cloud computing for breakout sessions, training and networking. — Bloomberg

AFTER DECADES OF “business as usual,” utilities’ business models are being turned on their heads by unprecedented pressure from all sides to do more with less, demonstrate more value, and improve customer service. In addition, smart meters and smart grids are forcing retailers and distributors to manage vastly more data and support two-way flows of both data and energy.

Utilities companies are not turning to public cloud services because these are necessarily cheaper than alternatives or the solutions they currently use. Instead, many are choosing this option because public cloud services enable them to do what they would not have been in a position to do otherwise, and to do it faster and with fewer risks (because of the low upfront costs).

Public cloud services are provisioned faster and more easily than their on-premise alternatives. PaaS helps to drive development times down. SaaS does the same for application implementation. These characteristics mean faster time to benefit or to market, or both, which helps customers outflank competitors.

Public clouds reduce not only the cost and pain, but also the risk, of using IT assets. This is more the case for IaaS and PaaS, with their PAYG approach to pricing and licensing, than for SaaS, which favors the less flexible subscription approach.

IaaS and PaaS vendors have a

usage-based/metered approach with no long-term commitment or contract and the ability to scale usage up or down on demand. They do not penalise users if their level of usage changes, which allows users to do away with capacity planning. (However, this will require internal controls to ensure that users do not go overboard.) It makes it easier not just to use IaaS and PaaS (as well as some SaaS) services, but to:

- Meet unpredictable demand: The ability to do this cost-effectively and with an acceptable QoS is, according to some, the key value that public clouds bring to the IT table.

- Innovate: Supporting innovation is not only one of the two main challenges facing IT today (besides cutting costs), but also the most important. Therefore, many enterprises consider this flexibility to be more important than the cost savings enabled by public clouds.

Although the utility industry trails other sectors in cloud adoption due to security and reliability concerns, it is now starting to be adopted.

To date, very few utilities have adopted cloud services for either data storage or hosting applications, for a variety of reasons. For example, on the operations side of the business, data created by control systems are incredibly valuable: there is significant risk to storing data offsite, and hosting mission-critical applications such as outage or distribution manage-

30
minutes or less
taken to configure
smart meters

ment systems in the cloud will be anathema to almost all utilities. On the retail side, historically, there has been little reason to move customer data to the cloud: it remains fairly constant, and relatively low in volume.

However, with the deployment of smart metering projects in particular, utilities face exponential growth in customer and operational data. While old electromechanical meters may be read between once a month and once a year, smart meters can be configured to read far more frequently — typically every 15 or 30 minutes, although some utilities read at even shorter intervals. In addition, smart meters can monitor power quality and send out other alerts. This operational data gives distribution network operators the potential to gain far better insight into what is happening at the edge of the network.

But smart metering does not come cheap. Its costs include not only the metering hardware and communications technology to

transmit meter readings, but also the huge infrastructure transformation that the utility must undertake to cope with storing meter data and billing based on granular consumption data. It should come as little surprise that the vast majority of first movers in smart metering were larger utilities with balance sheets that could bear the risk of investing in largely untested technologies. Without exception, smart meter data remained on these early movers’ premises.

The economic case for smart metering is simply not there for utilities with fewer than a few hundred thousand customers — cloud adoption provides one solution to the problem offering smart-metering-as-a-service. Utilities companies in the Nordics were the first to test the concept, and we are now seeing smaller municipal utilities across the world begin to sign up for cloud-based smart meter services. Clients are charged on a per-transaction basis so that the municipal utilities’ smart meter investment is an operating expense, rather than an up-front capital investment. In fact the cloud could touch the entire smart meter value chain: from the collection, validation, and storage of meter data through to billing, energy portals, and customer relationship management for utility clients.

The writer is the chief commercial officer of du. Views expressed by the author are his own and do not reflect the newspaper’s policy



DOHA DATELINE
Dr R. Seetharaman

Universal banking getting redefined

UNIVERSAL BANKING MODEL includes a wide range of financial services, including commercial and investment banking services. The benefits for banks to combine several business lines under one roof include diversification of risk, synergies from combination of different expertises, one stop shopping and optimum use of capital.

Universal banks operated as a holding group of separate companies. The business lines are defined based business areas or functions and/or geographical reach. The universal banking groups, which had global presence believed they could provide various services to investors in all corners of the globe until the crisis.

The global regulatory reforms and the transformation in global financial architecture after the crisis impacted universal banking groups. Universal banks have abandoned business and locations, through forced disposals or severe cost-cutting. They are also revisiting their strategies in business lines such as equity derivatives and fixed income. Some of them focused on asset management while others exited or rebalanced the equity business. The destruction of shareholder value after the crisis has eclipsed the benefits of financial supermarket. In a world of lower leverage the old investment models don’t work anymore. The universal banking is getting redefined.

Universal banking was mainly followed by US and European banks, however, new players have emerged in the Asian region after the crisis. Some of them include China Development Bank, Japan’s Bank for International Co-operation and South Korea’s Exim-bank. The rise reflects a geographical shift and also a shift of power from private sector to state-controlled entities. GCC financial conglomerates have developed both commercial and investment banking under the universal banking model, such commercial and investment banking activities prevail either in the home country or spread within and beyond the GCC region.

The regional investment banking witnessed activity in areas such as mergers and acquisitions (M&A), initial public offerings (IPOs) and bond issues.

Bond raising done by regional banks and large corporates. GCC banks and telecom players are selec-

“There is surge in conventional and drop in Islamic bond issues so far in 2013

tively looking for acquisitions. According to E&Y there was a 42 per cent rise in announced M&A deal value in Mena in 2012 to \$44.8 billion from 2011.

However global M&A volume slumped by 12 per cent in 2012 on account of concerns in global economy. The merger of Abu Dhabi-based property developers Aldar and Sorouh was effective from June 2013. Etisalat is in talks to buy Morocco Maroc telecom. In 2012, the UAE and Qatari investors were the most active as they venture into countries such as Egypt, Iraq and Libya. Qatar Telecom increased its holding in Iraq’s Asia cell, UAE’s Emirates NBD acquired the Egyptian banking business of France’s BNP Paribas and Qatar National Bank bought Societe General’s share in its Egyptian unit and a stake in Libya’s Bank of Commerce and Development.

The IPO activity in the GCC continued to drop in the second quarter of 2013 with three new listings raising a total of only \$48 million. In the first quarter of 2013 two IPOs raised an aggregate of \$337 million. GCC bond issues was more than \$40 billion in 2012 out of which close to 50 per cent came from Islamic bonds.

In 2013, GCC bond issues have reached more than \$25 billion. The major conventional bonds in 2013 were issued by Emirate of Abu Dhabi, Emirate of Dubai, Investment Corporation of Dubai, Qatar Telecom and Qatar National Bank.

The major Islamic bonds in 2013 were issued by Saudi Sovereign, Sadara Basic Services, Investment Corporation of Dubai and Dubai Islamic Bank. Qatar Central Bank also came with both Islamic and conventional bond issues this year. There is surge in conventional and drop in Islamic bond issues so far in 2013 when compared to 2012 in the GCC region.

The author is the group chief executive officer at Doha Bank. Views expressed are his own and do not reflect the newspaper’s policy

China’s investment boost to prop up other economies



OPINION
Camille Accad

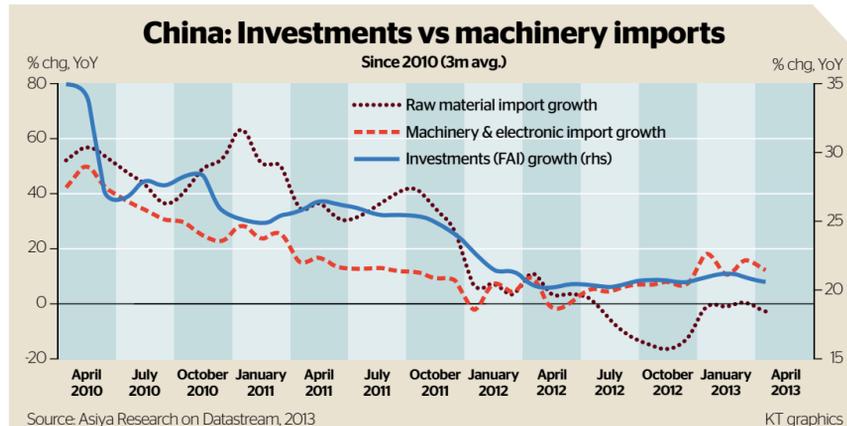
CHINA’S ECONOMY HAS been decelerating since the start of the year, and it is expected to continue to slow down until year’s end. The economy’s slowdown is mostly attributed to its weakening exports, which in turn has translated into weaker industrial production. As a result, investments in manufacturing have been decelerating over the past year. Until the global economy recovers, we do not expect the country’s manufacturing sector to improve.

The central bank has also been tightening liquidity on growing concerns over the possibility of overheating in the property and wealth asset management sectors. Authorities have introduced regulations on the property sector that are making it harder for real estate investments to progress and more property curbs are expected this year, especially if house prices continue to accelerate. This may further hamper real estate investments. House prices are rising at their fastest pace in more than two years and the latest Chinese property data showed that prices rose

from six per cent year-on-year (YoY) in May to 6.8 per cent YoY in June, in 69 out of the country’s largest 70 cities.

China’s government is under pressure to achieve a growth rate of 7.5 per cent this year, and many sectors of the economy, as cited above, are in deceleration mode. One solution would be to inject liquidity through monetary policy, but this might add more fuel to the fires they are already trying to contain. Given the risks that come with injecting massive liquidity, we expect the government to resort to boosting investments instead, and this is most likely to be done through an increase in infrastructure projects, which should keep investment growing at a stable pace of above 20 per cent year-on-year for 2013. If this scenario takes place, we think that this will be just enough to maintain the desired growth rate of 7.5 per cent, and help cushion the nation’s economic deceleration.

Investment makes up a bulk of China’s gross domestic product (GDP) — the measure of the economic output or of the size of the



economy. Investment comprises more than 45 per cent of the economy — more than consumption’s 35 per cent share and export’s 30 per cent share. China invests in three main sectors, each making up about a third of total investments: i) the manufacturing sector, which is strongly linked to growth in exports; ii) the property sector; and iii) the infrastructure sector. In order to maintain growth, and due to many large underdeveloped areas in China, the government usually boosts infrastructure investments,

especially when the local and global economy slows.

So far this year, growth in investments has been maintained at a stable rate of above 20 per cent YoY. The investment component of GDP was also the primary reason why economic growth did not collapse in the second quarter of this year. Investments contributed 4.1 percentage points of the total 7.5 per cent, up from only 2.3 percentage points of the first quarter’s 7.7 per cent growth rate.

Driven mostly by infrastructure

projects, the strong growth in investment has had a significant impact on the country’s demand for external goods. Imports have consistently been growing faster than exports this year. More specifically, imports of infrastructure-related (or capital goods) have remained resilient, such as the imports of machinery and electronic products. Raw material imports have also recovered, though not to the same extent as that of capital goods, as they are predominantly used for property invest-

ments, which have been decelerating of-late. Overall, this means that the largest exporters of capital goods should be benefiting from China’s infrastructure boom.

Which are these countries? Emerging Asian economies are highly exposed to Chinese demand, much more so than the EU, US or Japan. For instance, Taiwan, Singapore and Korea’s exports to China make up about four-six per cent of each of their respective total GDPs, whereas the G3 each export to China less than one per cent of their respective GDPs. Also, emerging Asia mostly exports capital-oriented goods to China: the Philippines, Malaysia, Taiwan, Thailand, Singapore and Korea’s capital exports to China each make about 60 per cent of their total exports, much more than the US or Latin America. The GCC will certainly benefit too from the rise in energy demand as a result of the infrastructure boost, especially as the trade links between the two regions continue to strengthen.

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