

The Correct Business Model

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Introduction

Every business is operated under a core business model. Once the core business model is recognised, then the policy / rules of that business are very clearly defined and these practices and procedures that then support those policies sit very comfortably with the business.

This short document describes the attributes of the two Core Business Models and asks the questions that you need to consider so that you clearly understand which camp that your Core Business is in.

Competitive Business Model

The core Economic rule in the Competitive Regime, is that the products and services are discretionary, not essential.

The core Accounting method is entirely Internal, with all Externalities excluded.

The core Strategy is to maximise the Return on (Internal) Investment (ROI).

Infrastructure Business Model

The core Economic rule in the Infrastructure Regime, is that the products and services are essential, not discretionary.

The core Accounting method is entirely External, with all Internalities excluded.

The core Strategy is to maximise the Return on (External) Investment (ROI).

Balancing Competition and Infrastructure

In a healthy economic environment, the infrastructure businesses provide the infrastructure business provide the maximised essential products and services at a minimum of end user cost to the competitive businesses and the community, and the competitive businesses provide the discretionary products and services at a maximised cost to the end user competitive businesses and the community.

In an unhealthy economic environment this balance is moved so that either the Competition Regime muscles in on providing what are really essential products services; or the Infrastructure Regime muscles in on providing what are really discretionary products and services.

The underlying problem is one of human greed, because with the Infrastructure Regime the amounts of money flows are usually very large, highly repetitive and heavily channelled. With the Competitive Regime, the amounts of money flows are also very large and repetitive, but usually highly distributed.

Because the large money flows involved with the Infrastructure Regime are highly channelled, the Competitive Regime sees these "Rivers of Gold" as justification to re-define what are fundamentally Essential Products and Services as Discretionary

Products and Services, so these can be moved into the Competition Regime, through what is called Privatisation.

Once these Essential Services are repositioned / privatised as Discretionary Services, then it is very easy pickings for the Competitive Regime to trim “inefficiencies” off these now Discretionary Services and make massive returns on investments – at the expense of the countries overall economy.

Similarly, because the many thin money flows with the Competition Regime are widely channelled, the Infrastructure Regime sees the justification to re-define what are fundamentally discretionary Products and Services as Essential Products and Services, so these can be moved into the Infrastructure Regime, through what is called Nationalisation.

Once these Discretionary Services are repositioned / nationalised as Essential Services, then it is easy pickings for the Infrastructure Regime to trim the “inefficiencies” off these now Essential Services and curtail competitive distribution – at the expense of the countries overall economy.

It therefore stands to reason that the Government and its Departments and its Commissions, (Infrastructure Business Regime) should be the bodies managing all the Essential Products and Services; and therefore all the Discretionary Products and Services should be managed by the Competition Business Regime.

With this balance in place then the best of both worlds exists where Essential Products and Services are managed by the Infrastructure Regime on a Large Scale, and Discretionary Products and Services are managed by the Competitive Regime on a Large Scale.

This economic structure then provides the best for both Competitive and Infrastructure worlds to both flourish where the Essential Products and Services are provided at a maximised amount and minimise end user cost to the community and competitive business.

In complimentary return, the Competitive businesses can then flourish as the community and other competitive business can afford to purchase and use a much wider variety of discretionary products and services.

In other words, for a very healthy economic environment, both the Infrastructure Regime and Competitive Regime comfortably co-exist, and utilise each others strengths to boost their own strengths, and do not impose on each other’s weaknesses for self gain.

Essential Infrastructures

All Government Businesses (Parliament, Senate, Departments, Defence, Authorities, Commissions, Local Government etc.) are in fact Infrastructure Businesses Models.

Here are a few examples of Essential Infrastructures:

Land Management and Usage:

In all countries, the Government decides what the land will generally be used for and how it will be used. Once that is decided, the land is either: sold or rented / leased to private concerns for development as decided by the Government. Alternately, the

Government retains ownership of the land and manages that in accordance with its' long term plans to manage the land use.

It is not uncommon for competitive businesses to see value in land and press for changes to the zoning so that previous land can be re-zoned for a changed commercial purpose, or have a Government body that had previously reserved an area have that rezoned for competitive commercial use.

So, land governance / management and planning use is an Essential Service that is operated by an Infrastructure Business, and the land developing, reselling, and almost all associated buildings are Competitive Business services.

Water Supply and Drainage:

Just like land, we all need water to survive and therefore water is limited and in consistent demand for continued life, so water supplies, dams, pipelines and its drainage up to the premises sites are Essential Services. So, all the works to plan, provision, operate and maintenance common Water Supplies and Drainage is an Essential Service.

On private land, the connection of these services to premises is essential for safe and clean living, so the plans for this are part of essential services, but the engineering works to physically connect the pipes and landscape the soil is mostly done by competitive businesses, that contract for the work.

Transport Facilities

The communities need to be interconnected by Footpaths, Cycleways, Roads, Railways, and Sea and Air Shipping Ports. As part of the land management portfolio it is the responsibility of the Government departments to specify and allocate corridors for all these services, to manage the installation of these and manage the ongoing maintenance of all of these as Essential Services.

As these projects are massive, it makes common sense that government commissions (as sub-departments) manage the installation and maintenance of all these infrastructures including bridges as required; because this is all part of Essential Services.

Because of immense economies of scale, Competitive Businesses should not be involved in the construction of Transport facilities. Some of the huge problems of having Competitive Businesses involved in providing Transport Facilities is the Tender process which is very expensive, really fractionates the immense economy of scale and inevitably the work is cut to a minimum to maximise contractor profits.

Further because the core business model is incorrect, a huge amount of legally binding Red Tape is unnecessarily introduced to keep the contractor (Competitive Business) mindset in the essential service (Infrastructure Business) mindset.

high demand, so this would appear to be an ideal competitive business model. In fact water is essential to our lives, and it should be provided through common funding that comes from Government taxes. If the Government provides the right funding, then health risks are minimised, housing is clean, factories can flourish and agriculture will flourish too - so the external kickbacks by providing suitable drainage and water supplies results in low medical costs for communities, the ability for factories and businesses to be established and developed and it is these external

profits that should be the primary funding for improving and developing more water resources and drainage infrastructure. Competitive Businesses have their place here in vying for Tenders to design and construct massive infrastructure components - and being paid directly by the Governments for these works.

Tolled Roads/Rail:

Roadways/Railways are infrastructure for competitive businesses and the community to use and make profits by using these infrastructures. A tolled road is intended to return the investment funds back to the Government faster by users paying a premium for using the specific infrastructure – and the funds are directed to pay off the investment costs. Competitive Business are users of these infrastructures and pass these costs onto their customers. It makes sense that the overall planning of roads and rail (transport) infrastructure be managed by a (Government) Infrastructure Business and this work can of course be tendered out to Competitive Businesses and that in itself - both - can be very efficient!

Telecommunications Networks:

Over the past 70 years telecommunications has become an essential service required by virtually all businesses and the community alike; so telecommunication networks are essential services. The physical networks beyond the customers connection points are part of this common infrastructure.

Multinational corporations (commonly based in the USA) have wielded a tremendous amount of political pressure on a large number of Governments globally, and forced these Governments to 'privatise' their telecommunications networks in the false belief that Competitive Business Models will be far more efficient than the existing Infrastructure Business Models.

Time has proven the simple fact that a multi-duplicated network is far less efficient than one complete network and this unequivocally proves that any competitive business model is very bad for efficient telecommunications infrastructure. Governments worldwide are now realising this folly and are now buying back the networks they were forced to sell into competition to regain the efficiencies they had earlier.

Competitive businesses have their place in reselling the wholesale network facilities 'repackaged' as retail bound product lines – but they have no place in owning the network side beyond the customer's service connection point; as this is the responsibility of the (Government) Infrastructure Business. This work can of course be tendered out to Competitive Businesses by a (Government based) Infrastructure Business and that in itself can be very inefficient!

Electricity Generation and Networks: Like telecommunications, electricity has also become an essential service that is required by all Competitive Businesses and the community. Except in the cases where particular businesses (be they competitive or infrastructure based) require massive amounts of electrical power, all generation plant and the associated distribution grid should be seen as an infrastructure business.

Competitive businesses have their place in reselling the wholesale network facilities 'repackaged' as retail bound product lines – but they have no place in generating, providing distribution, and direct maintenance on the power grid side of the

customer's service connection point; as this is the responsibility of the Infrastructure Business.

School Education: This is an essential service for Infants, Primary, Secondary / Technical Trades and many strands in Universities. Everybody needs to be educated, and through being educated, this places people in society such that they are not a burden but an asset. (This is a classical case for an Infrastructure Business where the educational services build a range of qualified people that can be employed in a very wide businesses and community life.)

The twist is that a proportion of educational establishments see themselves as elite and therefore charge a premium for people to attend - and people pay! This situation sets up a Competitive Business environment within an Infrastructure Business environment. There is a very limited merit in having financial assistance provided to competitive education centres to 'raise the standard' - as usually these funds are squandered on "window dressing" and advertising - not on direct educational facilities.

Monopoly is a mindset word that is intrinsically associated with a Competitive Business - and with a monopoly the supply of goods (and associated services) can be artificially limited and the price raised to maximise profits. The equivalent mindset words for Infrastructure Business are "Critical Mass" - and with a critical mass the supply of services can be dramatically increased with less user costs. It should be obvious that these two mindsets are poles apart!

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