

ON THE HOT SEAT

# Meeting the telecom demands of big business

By Hiawatha Bray | GLOBE STAFF JULY 14, 2013

Unless you pay the phone bills for a company like Walmart Stores Inc. or CVS Caremark Corp., you've probably never heard of Granite Telecommunications LLC. But this Quincy-based company is on track to rake in \$850 million in revenue this year by consolidating and managing telephone services for many of America's biggest businesses. Globe reporter Hiawatha Bray recently spoke with Granite chief executive Rob Hale.

## What exactly does Granite Telecommunications do?

The easiest way to explain it is to point to a customer. If you think about a big New England company like CVS, they have 7,100 stores. They have 7,100 sets of four or five telephone lines at each store. They used to get 7,100 telephone bills. So really what we created was middleware that would consolidate the entire country. Instead of getting 7,100 bills, they're getting one.

**So you help companies with lots of stores or offices simplify their phone systems.**



DAVID L. RYAN/GLOBE STAFF

**Rob Hale, chief executive, Granite Communications**

We're going in and saying you've already got 5,000 telephone lines from AT&T or Verizon or CenturyLink. We want to convert the billing on that from a retail to a wholesale account. The existing telephone lines remain in place. It's just packaged, priced, and supported by us.

### **Why shouldn't these guys stick with their existing companies?**

Benefit number one is rather than getting lots of little bills, you get one. Benefit number two, these stores have to have phone lines, fax lines, modem lines. You have to have alarm lines. And that resides in the analog world. AT&T and Verizon, they don't want to be in the analog business any more.

### **So you're providing analog phone services that are becoming obsolete.**

We do want to handle the transition. There are 1,100 people that work here, but there are 300 of us in what we call premier support. You have static on Line 2, you call us. We focus on these details.

### **But what happens to your business as analog phones fade away?**

The way we look at it is, that's an entree into a relationship. Once the trust is there, then we move into other opportunities.

### **What opportunities?**

Higher-density digital services, voice and data, as well as broadband cable modem or a DSL line. All of those tied together in a one-stop shop.

Quite obviously a big company's going to sell you their solution. So Verizon's only answer is going to be a Verizon product. We wholesale Cox, Comcast, Time Warner, AT&T, Verizon. So we have a plethora of options for you.

### **But sooner or later you'll have to go digital.**

This year we will have our own IP [digital] backbone.

network and

We were about a \$150 million business with a nice 10 to 12 percent net profitability. Goldman Sachs cold-called me in 1998 and said would you like to do a bond offering? We raised about \$700 million to build a network. And once you're on the network build path, you can't turn back.

### **You can't build half a bridge.**

Exactly. That's a good analogy. We had half the bridge built. Unfortunately we got stopped. So February 2, 2002, bankrupt. March 15, 2002, auctioned off. June 2, 2002, started Granite.

The lesson that I learned? We should be in the customer business, not the facilities business. Most of all, we should not be in the finance business. Once you take on debt, you become beholden to the debt holders.

### **Granite has no debt, right?**

We have no debt; we have no outside investors; we're profitable.

### **But once again, you're planning to build your own network. That's going to cost quite a bit.**

An IP network utilizes the Internet, and essentially software, and it's a much less significant investment. So to finance this investment, we will pay for every penny of it from ongoing operations. We will have the keys to the future in our own control.

### **Any idea how much it will cost?**

In the \$10 million range, which is a fraction of what earlier networks cost. We feel like this is so critical going forward. We support 81 of the Fortune 100, which are wonderful customers, but they're demanding. So we need to be able to control the destiny of the product and the service.

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*Because of an editing error, the name of the company where Rob Hale is chief executive was originally incorrect. The company is Granite Telecommunications.*

