



By **Mike Parilac, Publisher**

Mirror, Mirror

Our story begins in St. Louis where a local company, Western Utility Locating Services, worked for Big Show-Me Telephone Company and Truman Gas and Electric Company. The contract that Big Show-Me and Western signed for the work in St. Louis called for a price and performance review after eighteen months. Well, the review came in the form of a letter from Big Show-Me to Western alerting Western that Show-

A View From the Underspace

Me had received an unsolicited locating bid in another urban operating area that was about 20 percent less costly than what Western was charging Big Show-Me in St. Louis. The letter went on to infer that Western should “meet them halfway” on a price reduction if Western wanted to remain Big-Show Me’s contractor in St. Louis. Western declined to meet them halfway. Big Show-Me ultimately permitted Western to finish the term of the contract in St. Louis, albeit, without any discussion of a price increase.

Western also worked in Kansas City for both Big Show-Me and Truman. A year before receiving the “20 percent less letter” from Big Show-Me, Western had entered into a three-year agreement with Big Show-Me in Kansas City, where they had already begun work for Truman. Not unlike most agreements that Western had signed with utilities, there was a 30-day out clause in their contract with both utilities in Kansas City. This clause permitted Big Show-Me, or Truman, to terminate the contract for any reason as long as they gave Western 30 days to prepare for the “change of mind.” A few months after the St. Louis “do-you-wish-to-meet-us halfway-on-your-price” episode, Big Show-Me notified Western

Kansas City as did Truman. Good for them. But Western lost quite a bit of money in Kansas City. Their business plan had them recouping their human capital start-up costs in “years two and three” of their contracts with Big Show-Me and Truman. Years they never got. We can’t fail to mention Western’s investment in trucks and locating instruments that were budgeted to depreciate over three years, too. I suppose that’s a risk that any locating company takes when they sign contracts such as the ones that Western signed. But this story is not over. It’s only intermission.

While we’re at intermission, I want to cover a few things. Naturally, the names and locations I’m using are fabricated, but the events are anything but fiction. As I discussed in an earlier column, phone companies gave birth to contract locating. In the early days, phone companies heavily promoted the concept of contract locating to the other utilities. In many parts of the country, phone companies still have the most influence over which contract locating company is operating in any given area due to their immense geographical service territories—generally much larger than the other utilities. I can spend an entire column on the history of contract locating pricing strategies, but for now let’s just say when the phone company changes locating contractors, a lot of other utilities subsequently change contractors, too.

No doubt a 30-day out clause is contained in just about all contracts that utility service contractors sign, not just contract locators. But the unwritten rule states that this clause is only for the utility’s protection against poor contractor performance. That’s the problem with unwritten rules. They may apply to most contracts, but apparently not to contract locating contracts.

In 1996, a telephone company manager told me that the more work his company awarded a contract locating company the lower he expected the ticket, or unit price to become. He fully expected a “volume discount.” He would travel anywhere, anytime to speak with other utilities located within his company’s service territory about the virtues of using the same contractor. If these other utilities signed-on with his contract locating company, he expected a price reduction from his contract locating company. After all, it’s just another volume discount.

Mirror, mirror on the wall. Is this telephone manager the fairest of them all? Or did volume discounts take a fall? Or do we have to read next issue’s column to make a call?

Intermission is over. Act Two begins next issue. **UF**

that Big Show-Me was terminating the Kansas City contract in 30 days. Soon after, Truman notified Western that they had received an unsolicited bid from another contract locating company that was \$2 a ticket cheaper than what their contract with Western called for Truman to pay. Truman wanted Western to immediately match this lower price. When Western refused, Truman notified Western that their contract was over in 30 days.

So what was the end result of all this contract maneuvering? Well, Big Show-Me reduced their locating costs in

NESCO
Sales & Rentals
1-800-252-0043

Mud Dog
Hydroexcavator

2008 Sterling 9500, CAT C13, manual, full opening tailgate, vacuum pump 3600 CFM, Triplex water pump 10 GPM and 2000psi, 335° boom rotation.

www.nescosales.com
NESCO LLC • 3112 E STATE RD 124 BLUFFTON IN 446714