

# Is it Time To Ring The Bell of Concern?

Fiber may finally let the RBOCs bring video to MDUs. But they've tried before.

By Bryan Rader ■ *Media Works*

In a recent study, 70 percent of U.S. cable customers responded by saying they believe the telephone companies can be a good competitor to the cable companies on their own turf. In other words, about three-quarters of our subscribers say the phone guys can do as good as or better job than us in the delivery of video services. (See the 2Wire Poll, *Broadband Properties*, May 2005.)

That doesn't sound too good, does it? Is that a vote of no confidence for our team? How should PCOs feel about the entry of the Bells into our territory-MDU communities? Do 70 percent of PCOs believe that Bell-heads can be successful in offering a video service to apartment and condo customers?

The past track record of the phone companies in our market has been more of a short-term "dabbling" over the past ten years. Various business plans were approved, rolled out for a year or two, and then pulled back due to a lack of success, direction or strategy. There were investments in private operators at one point, wireless solutions (a short-term disaster in Atlanta), attempts to start a third direct broadcast satellite service, and partnerships recently with DirecTV and Dish Network.

Each of these models have been tried by each RBOC – SBC, Verizon, Bell-south and Qwest – in select markets in each territory. But how can property owners trust the Bell-heads if they approach them over the next 24 months with another new business plan, a new model, a new technology, and oh yeah – a renewed commitment to the MDU space for the fifth time in ten years? Why should a property owner buy into their latest attempt here?

## Remember DSL Video?

We don't have to go back too far to the days when the Regional Bells were expanding their DSL coverage across the

country. In an effort to meet the early demand for high-speed connections, real estate owners were calling the Bells to see whether or not DSL would be available at their properties. And the answers were always gobbly-gook responses like "maybe in 90 days if your property is close enough to a POP," and "we can offer it to the first four buildings in the front of the property but can only allow for ten customers."

I am sure that process instilled a lot of confidence among the real estate community. There were no commitments to timing, or schedules, and a lot of frustrated property managers with unfulfilled Internet needs.

And now the DSL-heads want to upgrade to IP video. What happens after the hype settles down and property owners start requesting service delivery dates? They will likely get the same type of gobbly-gook answer they got a few years ago regarding DSL: "Maybe in 90 days ...to four buildings...up to ten customers...let me get back to you."

Yes, the "let me get back to you" comment. That means that the Bell-heads have to contact eight other internal departments for approvals, delivery dates, construction schedules, roll-out plans and ...is this video initiative still important to us? Are we still investing in it? "Let me get back to you."

## Telco Rigidity

Real estate developers have complained for years about working with the phone guys. They are very rigid, negotiations are very tough regarding demarc points, and they only do things their accepted way. Not the makings of a company trying to relationship-build with the MDU world.

Take SBC's involvement recently with Dish Network. When SBC and Dish Network announced this new marketing arrangement initially, you would

have thought that this was the most important initiative ever announced by this regional Bell. For the first two quarters, signups of SBC/Dish were through the roof. Then they de-emphasized Dish, put on the brakes and signups dropped to a halt. Two months ago, SBC announced once again that this initiative is important? C'mon, buyer beware. Business plans are changing rapidly in San Antonio.

And now the Bells are nervous about the cable guys jumping into digital voice (VoIP service). Time-Warner and Cablevision have jumped out with over 1 million users in 2005. Comcast is already there (with a mix of switched phone service and VoIP). And more young apartment residents don't want dialtone; they only want a mobile phone. The telcos' core market is shrinking and they must move fast.

Just remember, all of the press releases from Lightpath (SBC) and FiOS (Verizon) are for Wall Street's benefit, not the real estate community. How can you really believe "50 percent coverage by 2007" or "25 million homes lit up by 2008" when their other commitments have been wrong?

The real estate community should be careful of the gobbly-gook from the dabblers in coming months and years. And should PCOs be concerned about this new entry into our space? Not yet. I'm still part of the 30 percent who are not convinced.

But we should keep our eyes on them, monitor them, and try to manage the potential hype to a reasonable level. After all, this is their fifth business plan in our market in ten years. I'll ring the "bell" when we should be concerned. **BBP**

## About the Author

*Bryan Rader is president of Media-Works, serving MDUs in Atlanta. He can be reached at 678-366-9900.*