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Monday, May 4, 1998

WinStar Pushes Wireless Option For Local Calls

By Reinhardt Krause
Investor's Business Daily

WinStar Communications Inc. could hit the jackpot — if its bet on acquiring wireless licenses in local phone markets pays off.

New York-based WinStar owns more high-frequency radio spectrum in local markets than any other firm. Early this year, it acquired new licenses in the 28-gigahertz frequency to fill out its wireless portfolio.

By installing rooftop antennas on commercial buildings, WinStar targets business customers that belong to the regional Bells. One advantage is that its services can be deployed faster than costly fiber-optic networks.

WinStar last month began testing a more advanced broadband network in Washington. Its local multipoint distribution services, or LMDS, network offers Internet access and can transmit audio, video and high-speed data.

WinStar last week announced plans to buy a 14.9% stake in another wireless player, Advanced Radio Telecom Corp. That company also is readying a wireless system for high-speed data services.

William Rouhana, WinStar's chairman and CEO, recently spoke with *IBD* about how his wireless company hopes to enter local phone markets.

Q&A



- ▶ William J. Rouhana
- ▶ WinStar Communications Inc.
- ▶ Chairman and CEO
- ▶ 45 years old
- ▶ B.A., government, Colby College; law degree, Georgetown University

IBD: *What role does a firm like WinStar have in opening local phone markets to more competition?*

Rouhana: There really are only two meaningful ways to attack local-market monopolies. One is by building fiber-optic networks; the other is using fixed wireless broadband — what we do. Fiber-optic carriers, over the past 10 years or so, have only managed to get to about 7,000 or 8,000 buildings in the entire U.S. We're already at 2,000 and expect to be in 8,000 by the end of 1999.

IBD: *Haven't other wireless firms like WinStar been acquired by companies with fiber-optic networks?*

Rouhana: We've been pretty consistent in saying that our objective is building our business, not to sell it. We think we can create more shareholder value that way. But that doesn't mean we can't partner with a large company to help them accelerate their business communication links. That's something we're always discussing.

IBD: *How do you think the regional Bells have responded to the Telecommunications Act of '96?*

Rouhana: I've coined a phrase called strategic incompetence. It seems to me that the Bells have reacted in a variety of ways, some regulatory and some day to day. On a day-to-day basis, they've made it difficult to interconnect with them or to use them for resale, and that's the strategic incompetence. They just have a way of not doing things well when it comes to putting customers on (their network) for their competitors.

IBD: *How does a wireless company like WinStar get a foot in the door with business customers?*

Rouhana: It depends on the market segment. For the small and medium businesses, we try to help them understand how to use the telecom network to create more value. There is also a price difference with the regional Bell operating

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company, usually about 10% to 20% less.

For large accounts, we emphasize the wireless aspect of our service: the fact that it gives them flexibility and that they can be sure critical communications functions will be there no matter what happens to the wireline network.

IBD: *Your business model relies on acquiring roof rights. How difficult are they to get?*

Reuhner: Surprisingly, the process has been getting easier. We've learned how to communicate with landlords the advantages we bring to their tenants by bringing broadband communications to buildings. Unlike a PCS (digital cellular) operator, who landlords view as an entity providing a service to people walking by their building, they view us as someone providing a tenant amenity.

For a building right, we can (pay) in the low hundreds of dollars per month. Sometimes we get them for free.

IBD: *What's different about the LMDS network that WinStar is testing in Washington than your earlier systems?*

Reuhner: There's a physical difference in that the (LMDS systems) have one radio at the hub, or a grouping of buildings, whereas the existing point-to-point systems have a separate radio at the hub site for each radio at a customer building.

From our point of view, it's less costly equipment to install. For customers, there are different services, such as bandwidth on demand, which allows

them to buy the amount of bandwidth they need, when they need it.

IBD: *Will your customer focus shift to more residential buildings as LMDS systems are built?*

Reuhner: It won't shift in emphasis, but there is a time in the not too distant future in which we see the ability to service residential customers in addition to businesses because of the cost efficiencies of multipoint technology.

IBD: *Don't some analysts still question whether LMDS technology can be commercially deployed?*

Reuhner: We have up and running a full-scale multipoint network that's completely integrated with the rest of the communications network. From our point of view, the technology risk associated with multipoint has really been addressed, and we think it works just fine.

By the time 1999 ends, I hope that every hub site we have built, which will be covering the top 40 markets by then, will have both point-to-point and multipoint capacity available to our customers.

IBD: *Aren't some start-ups, such as Teligent Inc., targeting the same space as WinStar?*

Reuhner: Our lead is very extensive. It's measured in years, not months. The No. 1 thing a company has to do in this business is to build the system that integrates the broadband wireless into the rest of the telecom network. It's not enough to put radios out there. You've got to build, provision, monitor —