

>: After failing to block the roll out of municipal Wi-Fi networks, Cable and Telecom companies are shifting gears and bidding to build these networks themselves... But at what cost?

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Well, I'm writing to you on a new day. I actually prefer Wednesdays as opposed to Tuesdays ? I get a better feel for how the market is doing for the week, and I've been able to do a little more analysis on recent events before writing my column.

This week I wanted to talk to you about a trend I've been following for some time now - Municipal Wi-Fi (Wireless) networks.

I've been keeping my eye on this situation ever since Google made a bid to offer free Wi-Fi Internet access to the entire San Francisco area. Remember that?

These Municipal Wi-Fi networks are essentially a bunch of radio transmitters hooked up all over the city, usually on the tops of public buildings or street lamps.

Freedom from the Coffee Shop

If you're like me and are always on the move, you're very likely no stranger to tapping into the Internet from Starbucks, the airport, or a popular public park. The emergence of Wi-Fi, and of hotspots in places like these, has already transformed the way many of us work, and how productive we can be. But we're not quite completely wireless yet: Once you're out of the hot-spot's range, you'll no longer get a signal.

I don't know about you, but in my life this has led to WAY too much caffeine.

In an effort to take the wireless age "beyond the coffee shop," a number of cities decided to create a huge array of Wi-Fi hotspots - essentially making the whole city one big hotspot - and charge residents a monthly fee to gain wireless Internet access. Prices depend on income bracket and how fast the connection is, and in some cities the service is offered at no cost.

Initially, this caused Cable and Telecom companies to fall over each other on the way to court as they rushed to block these networks from being rolled out. They went the usual route of hiring big time lobbyists to write research reports on how the costs of rolling these networks out have been grossly underestimated, which they argued would lay a huge burden on taxpayers.

For some reason I can't see these Telecom and Cable companies caring more about the poor taxpayers of a city than they do their own bottom lines. But that's just my cynical New York opinion.

Cities Are Flexing Their Pricing Power

The Telecom and Cable giants aren't just flipping out because they have a new competitor, but rather because this competitor has a number of substantial advantages.

For starters, municipalities don't pay taxes, so they don't have to charge as much as Cable and Telecom companies do in order to remain profitable.

Also, municipalities own the entire city (including the public buildings, parks and street lamps) and thus have free access to places to set up Wi-Fi antennae.

A service that a cable company would typically charge \$40-\$60 a month for, municipalities could provide for \$10. If you think about it, why would someone even need a wired home connection if they could get a wireless connection anywhere in their house?

The answer is: THEY WOULDN'T!

And that's what initially caused this huge panic amongst the Cable and Telecom providers.

But now, some of these companies are even jumping on board and making bids to construct these networks. For instance, AT&T (SYM: T) has a bid in for a city in Michigan, and Time Warner (SYM: TWX) is signaling that it would be interested in setting up Wi-Fi networks in Texas.

My feeling is that these companies finally resigned themselves that a sweeping change is taking place, and it's better to eat into their own margins than to have someone else take these customers away completely.

For Cable companies, this isn't the worst thing in the world; they can simply use this as an add-on service to their cable television, phone and wired internet connection packages.

But for Telecom companies that are currently offering DSL service ? this could definitely be a real thorn in their sides.

The companies that REALLY stand to benefit are smaller ISP's, like EarthLink (SYM: ELNK) who are already discount Internet providers. If they roll out these networks, they stand to retain many of their customers who've been opting for prepackaged Internet access services with their local Cable or Telephone companies.

EarthLink, in fact, is currently building out a Wi-Fi network in Philadelphia, and is making a joint bid with Google for San Francisco.

These moves could certainly do wonders for EarthLink's revenue and profits.

Like I always say, we're living in interesting times - and it will be fun to see how this technology plays out.

No matter what, as far as the consumer is concerned, all of this fuss is only a plus (sorry for the corny rhyme). We're not far at all from cheap Internet access anywhere, anytime.



Wayne Mulligan

Chief Investment Officer

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