

Healthy Competition Is The Way to Go

Independents set stake in the growing MDU broadband market by focusing on providing good customer service and doing things the right way. Their approach benefits property owners and residents alike.

By Valerie M. Sargent and Robert Grosz / *Multifamily Broadband Council*

In February 2017, the Multifamily Broadband Council (MBC) petitioned the FCC to issue a ruling striking down legislation that was purported to increase consumer choice – but in fact could tip the scales against upstart broadband innovators and negatively impact long-term sustainable broadband competition.

This summer, more than two years after we filed the petition, the FCC delivered a victory to the MBC and the independent communications companies we represent when it issued a declaratory ruling stating that the legislation, Article 52 of the San Francisco Police Code, is preempted in part by federal law and policy and therefore is invalid to the extent it required the sharing of in-use wiring in multitenant environments. The FCC also adopted a Notice of Proposed Rulemaking in GN Docket No. 17-142 (“Improving Competitive Broadband Access to Multiple Tenant Environments”). These two FCC actions can help level the playing field for broadband operators who wish to compete in the multifamily market. The results will benefit everyone.

MBC applauds the FCC for taking action to thwart poorly written local legislation that would have unintended negative consequences, such as the inability of competitive operators to meet preconditions for financing required expansion and the potential for degradation of

services due to wild west scenarios created by the broad mandate.

As with any business, an investor expects an owner to provide indicators of likely success. For competitive broadband operators who don’t operate under the protection of city franchises, receive strong ancillary revenue streams from advertising, or maintain strong consumer brand awareness through owning the sources of content, assurance must come through having undisturbed use of inside wiring owned by the property owners or a bulk billing arrangement under which the property owner purchases a robust service as an amenity for all occupants at a steep discount. Article 52, however, effectively nullifies such arrangements, with harmful consequences to the competitive marketplace.

The ordinance imposes no limit on the number of providers that must be allowed onto a property, no matter how many providers are present (that is, even if competition already exists). Nothing in the ordinance requires a provider to install its own wiring, yet the ordinance also does not expressly regulate how multiple providers on the same property behave toward each other. Because an owner’s rights to control access and quality are reduced, Article 52 fails to take into account the unfortunately common practice of subcontracted service technicians unexpectedly disconnecting the inside wiring of a resident subscriber in one

unit in an attempt to fulfill the service request of another. It also does not address potential service issues arising when sharing of existing wiring causes interference, which is where the FCC stepped in with its preemption.

Many intelligent pro-consumer groups have struggled to understand the petition because they viewed the ordinance solely as a means to unleash an open market of competition. There is a right way to compete, however, as MBC members have learned from years of working in telecom closets, on rooftops, and from apartment units as competitive operators in the multifamily space.

WHY COMPETITION MATTERS

Competition is about positioning companies, products and services advantageously in the market. For independent broadband providers, that should include not taking away rights from a property owner, offering a better product than the competition, and cooperating with decision-makers to provide excellence in service to the owners and the residents who live in their communities.

It's an exciting time to be competing as an independent broadband provider. So many transformations are happening with connectivity and the applications that utilize that connectivity. New options for TV watching and new opportunities to connect businesses and people across the globe abound. With so much activity happening at the FCC lately and with many new providers entering the space, there is a need for ongoing education about how competition works best within the multifamily market.

There are typically two ways to compete: 1) Someone loses, and someone wins; or 2) Someone provides the right incentives to do the right things, and everyone wins. MBC members have been the only true competition to franchise cable companies and large telcos. When an owner is incentivized to invest in things that promote positive outcomes for residents, the consumer wins, the property wins and the competition can survive and thrive.

Unlike larger companies, independent operators provide enhanced customer service and can respond agilely to their customers' needs.

DISADVANTAGES AND ADVANTAGES OF INDEPENDENTS

Independents work from an unlevel playing field because the traditional market-dominant incumbents have access to lower-priced content, which they often own; access to low-cost capital from the public equity and debt markets; and access to licensed spectrum. These larger companies pay less for equipment and bandwidth than upstart competitors. Competitive providers often find themselves buying raw goods from the very companies they compete against. For the franchise cable companies and telcos, building high-capacity broadband connections to new properties can be capitalized in a fixed asset. In contrast, these costs end up being an operating expense for the independents. Those types of business decisions can keep the innovative competitors from being as competitive as they could be – but they don't prevent competition altogether.

Independents have some distinct advantages. They can save by utilizing labor that is less expensive than the larger companies. Their market clout

is tied to the success of the agreements that are signed with property owners. These agreements are much more rigorous and have more teeth, with service level agreements that are very stringent. Independent operators provide enhanced customer service and can respond agilely to customers' needs. They are after the same result they've always been after – the one in which David is on the same level playing field as Goliath, realizing that it's not just about appropriate access, it's about delivering impeccable, stand-apart service. Healthy competition means doing things the right way, which includes negotiating win-win-win situations with property owners. ❖

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VISIT MBC AT WISPAPALOOZA

As the only trade association that represents all independent broadband providers working within the multifamily industry, MBC is proud to host its annual conference again this year in Las Vegas as the MDU track at the 2019 WISPAPALOOZA conference on Wednesday, October 16, 2019.

It's important for all independent operators to be engaged, informed and impassioned about their work and partnerships with multifamily owners. We invite all independent operators to join MBC to discover more about how to best serve this unique industry. MBC will handle registration for its members and guests. For more information, please visit www.mfbroadband.org/events/2019-mbc-conference.