

# Plug and play

MCI's wireless strategy connects

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A historical examination of MCI's involvement in the wireless marketplace could lead some to write the company off as too meager to matter.

After all, MCI gave up its cellular holdings to McCaw in 1985, and those properties later became part of the AT&T empire. MCI's plan for a wireless consortium that it would oversee was rejected by the Federal Communications Commission. A strategy to invest in Nextel faltered and was ultimately abandoned. And last year, MCI shied away from the personal communication services licensing process from which Sprint and AT&T emerged as the primary beneficiaries.

But just as it appeared that wireless might not be in MCI's cards, the carrier has unleashed a tactical plan proving it is intent on taking wireless by storm.

"We have done a number of things on strategy since we envisioned this two years ago," said Whitey Bluestein, vice president of wireless strategy and development at MCI Communications.

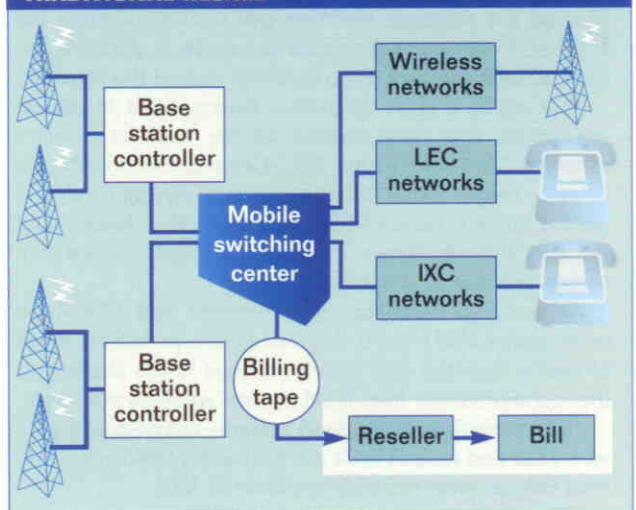
In May 1995, MCI acquired Nationwide Cellular, the country's largest cellular reseller, and began offering MCI-branded service a month later. In August, the carrier announced resale deals with five major cellular operators. That put the carrier in 27 U.S. cellular markets with 124 million potential customers.



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—Whitey Bluestein, MCI

FIGURE 1  
TRADITIONAL RESALE



And earlier this year, MCI struck a 10-year, 10-billion-minute deal with NextWave to interconnect its landline network to NextWave's PCS networks and resell minutes of use, adding an additional 63 potential markets and 110 million pops.

"The NextWave deal really laid out the next generation of wireless service for us," said Bluestein. "It was really the vision we had for wireless from the get-go."

The distinguishing mark of that vision is interconnection. Traditional resellers or wireless service can only repackage service and integrate billing (Figure 1). By connecting its wireline base to the switches and RF portion of NextWave's networks, MCI controls not only billing but also service differentiation via its intelligent network (Figure 2).

"We stepped back and said, 'There are going to be a lot of people out there with facilities. Let's spend the money on something we already do well: our intelligent network and infrastructure,'" said Bluestein. "With full interconnection, we can look very much identical to a facilities-based provider."

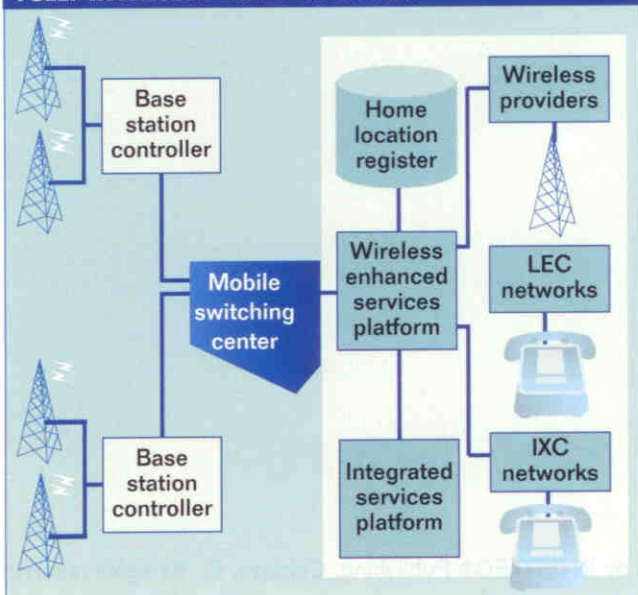
That includes being able to offer components such as operator, 800 number and calling card services, in addition to virtual private network services. The carrier bundles its wireless offerings into its MCI One package for consumers and networkMCI One bundle for businesses. Over the past six years, MCI has invested more than \$2.5 billion in its integrated services platforms, Bluestein said.

For all that, the capital expense for MCI lies primarily in the terms it negotiated with NextWave for interconnection. "The network architecture is virtually unchanged from what we had three or four years ago when we were talking about the consortium," Bluestein said.

One industry analyst who has followed MCI's wireless saga said he questioned the resale/interconnection strategy when MCI first announced it but that events since have changed his mind.

"It looks like it was a pretty good move," said Peter

FIGURE 2  
FULLY INTERCONNECTED OPERATOR



## Merger's wireless effect appears minimal

For all the strategic shuffling and market mayhem the BT/MCI merger is expected to create, it appears unlikely to shift wireless plans on either side of the Atlantic.

That marks a clear distinction between this megadeal and others that have shaken up the telecom industry recently. Observers of the SBC Communications/Pacific Telesis merger noted that the latter's wireless markets were a major draw for SBC, itself a wireless leader. And the Bell Atlantic/Nynex marriage had roots in the two companies' earlier wireless union.

At most, BT's seasoning in wireless and elsewhere could assist MCI in its U.S. wireless efforts, but the influx of capital from the deal will not change MCI's strategy to interconnect rather than build its own wireless networks.

"BT's expertise with support systems will help us out [in wireless], and we still have our deal with NextWave," said Fred Briggs, chief technology officer at MCI.

BT is itself no wireless powerhouse. The company owns 60% of CellNet, one of two cellular network operators in the U.K., and it is part of wireless alliances in France and Spain.

"On the mobile side they're really not a very exciting

company," said Adrian May, a consultant at U.K.-based Ovum.

In addition, the U.K. market is hot, sporting one rival cellular operator and two personal communication services providers.

"It's an incredibly competitive market because it's such a small place," said a BT spokesman. "It's much easier to cover the entire area."

Where the BT/MCI union could become important from a wireless perspective is outside either of the companies' home countries, said one analyst.

"Internationally there are hundreds of very important developments going on," said Mark Lowenstein, vice president of wireless research at The Yankee Group in Boston. "This is a combined force that could move into some of those new markets."

No plans have been made to bring in a BT executive to oversee MCI's U.S. wireless operations, said Briggs.—JM



Gibson, president of the communications services division of Tecom Business Systems. "Companies paid so much for their licenses that they're going to want to get money back quickly." Arrangements like the one NextWave and MCI formed is one way to accomplish that, he said.

And the NextWave deal is not the end of MCI's wireless road. The carrier plans to strike deals with other PCS providers—most likely additional C block operators or those that emerge from the current D, E and F

block auctions. NextWave's code division multiple access technology (CDMA) choice is a strong indicator that other interconnection deals would be with CDMA providers, but Bluestein didn't rule out the possibility of other technologies. He also noted that technology at that stage is not the overriding issue.

"The luxury of the strategy we have is that we don't have to participate in the religious wars about air interfaces," he said. ●