

Wall Street Sees Competition Driving RBOC Broadband Deployment

Morgan Stanley

“WHY THE ACCELERATION? Investors frequently ask us why we expect RBOC [Regional Bell Operating Company] deployments of DSL to be faster than their infamously slow deployments of ISDN. Our answer has been (1) that competition from cable companies, particularly AT&T/TCI... will force the RBOCs to offer a bundle of internet and voice services, and (2) that Internet Service Providers (ISPs) will market DSL effectively for the RBOCs.” (*Technology: Bell Atlantic Accelerated Capex and DSL Rollout*, July 28, 1999)

“Our industry checks indicate that xDSL rollout by the RBOCs and GTE is proceeding faster than expected. We believe that the key drivers of xDSL deployment are strengthening, particularly perceived competition from cable operators for bundled data and telephony services... We believe that AT&T's announced acquisitions of TCI and Media One have considerably increased pressure on the RBOCs.” (*Technology: XDSL Speeding Up*, May 17, 1999)

J.P. Morgan

“We detect a dramatic change in the attitude of the local phone companies toward DSL deployment. ...[T]here are several forces driving the local phone companies to accelerate their DSL deployment. Most notable is the rollout of cable modems by cable companies...” (*DSL: The Bells Get Serious; 1999 Promises to Be the Year of DSL Deployment*, March 19, 1999)

“The prospects of cable modems, and ultimately cable telephony, have clearly spurred Bell Atlantic into action. The company has accelerated its DSL rollout, is lower pricing, is signing wholesale agreement (most notably with AOL...), with the goal not only of generating new revenue, but of protecting its local customer base.” (*Bell Atlantic: Meetings With Management Reinforce Positive Outlook*, April 8, 1999)

BT Alex. Brown

“Aggressive moves by competitors such as AT&T, which plans to enter four of US West's major markets...by the end of 1999 apparently forced US West to increase its planned spending to deploy network enhancements.” (*Is The Big Cap Telco Win/Win Stock Performance Over – US West lowers 1999 EPS Guidance Citing Competition From AT&T*, February 24, 1999)

Prudential Securities

“Certainly, the explosive demand for high-bandwidth services is motivation enough for the large LECs to deploy ADSL quickly. Another important motivating factor is the threat of competition. Other players are taking dead aim at the high-speed Internet access market. These competitors include cable companies, CLECs using both

wireline and wireless technologies and satellite companies.” (*ADSL Has The Potential To Solve The Bandwidth Bottleneck...*, August 27, 1998)

S.G. Cowen

“If recent activity is any indication, 1999 could be a strong year for broadband last-mile technologies – cable and x DSL... Cable operators have stepped up the pace of deploying high-speed data services, forcing the incumbent LECs to draw up ADSL plans.” (*Data Networking Industry*, February 1999)

Warburg Dillon Read

“We note that the market, not regulatory pressures appear to have significantly expanded the ADSL deployment plans among the large telcos since the August 1998 initial NPRM... Market, not regulatory pressures will continue to provide the key incentives for the LECs to expand its DSL rollout plans as we have seen from SBC, BEL with meaningful subscriber numbers likely to be visible in late 1999/2000 and beyond...” (*Upcoming FCC Agenda Heavy on Key Issues*, January 25, 1999)

Montgomery Securities

“[T]here has been relatively little incentive for the RBOCs to upgrade their local loops for broadband access in the form of ADSL, as cable modems had not (until recently) seen deployment momentum and CLECs network buildouts had not become a real threat. As a result, the RBOCs have responded slowly, causing ADSL companies to push out expectations for years. However... the RBOCs have finally begun to feel the competitive pressure from both CLECs and cable modem providers...” (*ADSL Beginning to Gain Momentum*, March 30, 1999)