

SmartMoney

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In Focus: When the Internet Is Up for Grabs

By DIANA RANSOM

IF CONTENT IS KING, what about businesses that serve content providers?

The buzz in tech circles these days is all about Network Neutrality the idea that consumers should have unrestricted access to legal, online content. Already, the Federal Communications Commission has set in motion a process to broaden access for users. The government is also under pressure from consumers to prevent cable and telecommunications providers like Comcast and Verizon from switching to usage-based pricing for broadband service, rather than the traditional flat fees.

In this telecommunications Wild West, where everything seems to be up for grabs, at least one business that serves content providers is thriving. Mobilitie, based in Newport Beach, Calif., builds and services communications towers for wireless carriers like AT&T and Sprint. In addition to 3,000 towers across the U.S., it has vast networks of fiber optic cables that telecommunications companies use to send Internet and cable transmissions, as well as telephone and television signals.

If all goes according to plan, Mobilitie will have accrued just under \$100 million in annualized revenue by the end of 2009 -- a 100% jump over the year before, according to Mobilitie's founder and CEO, Gary Jabara. (Jabara wouldn't disclose company's profits, but says earnings are up over last year.)

SmartMoney asked Jabara about the ups and downs of the wireless business. Here are his condensed answers.

You're a veteran in the wireless industry. What were you up to before launching Mobilitie in 2004?

I was one of the first guys to start building wireless infrastructure in the wireless industry. I started out working with Craig McCaw, the founder of McCaw Cellular, which is now part of AT&T Mobility, and Clearwire Corporation. Around that time in the early '80s McCaw was buying up cellular licenses and making a pretty penny doing it. I then went on to head Deloitte & Touches' wireless consulting and real estate practice for a number of years.

Name:

Gary Jabara

Business:

Mobilitie, a wireless and telecommunications infrastructure provider.

Industry:

Communications

Location:

Newport Beach, Calif.

Year founded:

2004

Number of employees:

60

Web address:

www.mobilitie.com

Mobilitie builds communications towers and leases them to wireless carriers. And sometimes multiple carriers will use the same tower. Why don't they build their own towers?

Carriers have traditionally been forced to choose between an internal ownership model and that of a leasing model. Like Mobilitie, public works companies offer to lease towers to carriers. However, they will also restrict a carrier's operations in ways that lead to higher costs over time. And although owning a tower provides a high degree of operational flexibility, it also presents significant capital costs. Rather, we build towers and allow carriers to lease them, but we don't also restrict what kinds of data carriers transmit via our towers. To rent one of our towers, the national average amounts to \$1,500 to \$1,900 a month per lease. However, as multiple carriers occupy the same tower, rental prices decline.

Since leasing towers gets cheaper for carriers that split their ownership, will cell service also get cheaper as carriers expand their coverage?

What you'll see is prices for different services will go down. As the speed to download data picks up, there will be all sorts of economies of scale that will contribute to reducing prices. However, when this occurs, more comprehensive services will be introduced at different rates.

Where is the most difficult location you helped transmit a wireless signal?

You can't put towers everywhere. In these cases, we'll work with carriers to do in-building systems. We'll also broadcast from rooftops. But the most difficult location we worked on would have to be New York's Central Park. We built a distributed antenna system, or DAS, throughout the park.

It seems as though AT&T lucked out landing the sole right to provide service to Apple's iPhone customers. Rumor is, though, that AT&T may have competition in the near future. What would happen if other carriers could provide service to iPhone users?

AT&T has grown incredibly fast from their exclusive deal with iPhone. (Incidentally, two other carriers took a pass on it before AT&T accepted the device.) But as a result, the carrier's network has undergone an incredible amount of stress, which has hindered user's speed of connection. By opening up the

exclusivity of the iPhone, I think you would see a lot less subscriber growth on AT&T and more on competitors. This industry is clearly driven by technology -- not necessarily the network.

What was the biggest misstep you made as an entrepreneur?

The one big mistake that we made is we operated on accounting software, QuickBooks, far too long. When it came time to install a world class Oracle accounting system, the investment we had to make in switching over systems was unnecessarily large.

What s the best advice you can provide to prospective entrepreneurs?

Other than don t give up, my best advice for entrepreneurs is learn the value of great partnerships. Not only is this true for whatever debt, equity and capital sources you have, but it s also ideal to foster deep relationships with employees.