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October 2, 1998

Mr. John Cutting
Research and Regulatory Review
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL

980000B

RE: Multi - tenant Environment data request

Dear Mr. Cutting:

Enclosed is Sprint's response to your data request concerning access by telecommunications companies to customers in multi-tenant environments. Also included are five attachments which are responsive to the data request.

Although this data request has not asked for input relative to problems faced by the Incumbent Local Exchange Company (ILEC), Sprint - Florida has also experienced some difficulties obtaining access to new buildings/developments within our own service territory. If the staff would like further details of these problems, arrangements can be made through my office to allow viewing under a confidentiality agreement.

Please contact Sandy Khazraee at 847-0173 if you require any additional information or clarification.

Sincerely,

for F. Ben Poag

Attachments

DOCUMENT NUMBER-DATE
1-0871-081-28
REC-RECORDS/REPORTING

Data/Information Request
Multi-Tenant Environments

1. Are you aware of any specific instances during 1997 in which a landlord or building owner denied or limited access to an alternative telecommunications provider for the installation of telecommunications equipment? If so, please describe these instances.

Response: Yes. Sprint has been denied access to install its telecommunications equipment by landlords and building owners throughout Orlando until a building access agreement had been completed. At the same time, many landlords and building owners were unwilling to negotiate an agreement because they were uncertain of the terms and conditions they should negotiate. While the names and locations of specific landlords and building owners are considered confidential, the following description will assist the Florida Public Service Commission Staff in understanding the nature of this issue.

Beginning in late 1996, Sprint began negotiating with the landlords/building owners of the largest buildings in Metropolitan Orlando. A pattern soon developed where the size and complexity of the building often determined the complexity of the issues to be resolved before an agreement for access to the building tenants could be completed. The organization representing the building, be it a property management company or the actual owner, would have different concerns based on the size and complexity of the building for which they were responsible. Often Sprint would be required to address concerns of a property management company for buildings much more complex than the one where actual access was being requested. This was due to the property management company representing the same building owner in other, "more complex" buildings and they would not allow access to any building until a comprehensive agreement was completed. A second pattern soon developed that made it even more difficult to obtain an agreement. The owners became hesitant to even negotiate because they were unsure of the value and risks associated with allowing access to alternate telecommunications service providers. Because there were no consistent standards within the commercial building industry addressing building access procedures, or even a process that was agreed upon by a significant number of owners and alternative local exchange carriers (ALECS), it simply caused many owners to stop discussing the access issue with Sprint. Sprint attempted to partner with the Orlando building owners by joining the Building Owners and Managers Association (BOMA) and by providing subject matter experts to their monthly meetings to help address the issues. Sprint was the featured speaker at one meeting to address legal and service issues when an ALEC is allowed access to a building. Sprint has performed site inspections for several building owners to help them better identify the infrastructure requirements for multiple telecommunications companies. Sprint has been very proactive in trying to obtain access to the multi-tenant buildings and yet, in spite of Sprint's many efforts, Sprint has not been allowed into the majority of the buildings in Metropolitan Orlando.

The following information will provide additional clarification for many of the issues Sprint has encountered while attempting to obtain access to buildings in Metropolitan Orlando. The issues are listed by building type.

Small to Medium Buildings with only one location

These buildings were more open to completing an agreement as they could make a decision based on their specific needs. The issues would include:

- Available space in the conduits, risers, and raceways for cable and wiring (both coming into and within the building)
- Available space for telecommunications equipment in the common equipment room or telephone closet
- Compensation for space and administrative costs
- Clear language in the agreement regarding responsibilities and liabilities of each party without creating a large cumbersome agreement
- Perceived lack of building owner's expertise on telecommunications issues

Large Buildings with only one location

These buildings were more complex compared to the small to medium sized buildings and thus brought additional complications to the negotiations. However, these buildings were still more open to an agreement than the buildings which have multiple locations. Many of the issues were the same as with the small buildings as listed below:

- Available space in the conduits, risers, and raceways for cable and wiring (both coming into and within the building)
- Available space for telecommunications equipment in the common equipment room or telephone closet
- Compensation for space, administrative and operational costs
- Clear language in the agreement regarding responsibilities and liabilities of each party
- Administration of wiring infrastructure
- Perceived operational costs to accommodate multiple telecommunications providers such as additional power requirements or building access
- Method for determining how many telecommunications providers to allow access to
- Perceived need to obtain expertise in telecommunications issues

Small to Medium Buildings with multiple locations

This is the category where it became difficult to complete an agreement. Many of the issues are the same as before, but the multiple locations usually mean a property management company that will need to examine the impact of allowing access to one location against the impact of its other properties. The issues would include:

- Available space in the conduits, risers, and raceways for cable and wiring (both coming into and within the building)
- Available space for telecommunications equipment in the common equipment room or telephone closet
- Compensation for space and administrative costs
- Clear language in the agreement regarding responsibilities and liabilities of each party without creating a large cumbersome agreement
- Perceived lack of building owner's expertise on telecommunications issues
- Consistent policy for multiple locations (consistency in cable and wiring procedures as well as administrative and operational procedures, different property managers would often have different ideas with the authority to apply them as they saw fit)
- Hesitancy to complete an agreement in any location until a national policy had been determined

Large Buildings with multiple locations

These are, in many cases, the most desirable buildings and yet often the most difficult ones in which to obtain access agreements. They usually have a national property management company that sets policy for the buildings on a national scale. The degree to which competition has reached the property management company's primary locations often drives the degree to which they will react to Sprint's efforts to obtain access. The concerns are similar to single location large buildings with the addition of the national and multi-location issues and are listed below:

- Available space in the conduits, risers, and raceways for cable and wiring (both coming into and within the building)
- Available space for telecommunications equipment in the common equipment room or telephone closet
- Compensation for space, administrative and operational costs
- Clear language in the agreement regarding responsibilities and liabilities of each party
- Administration of wiring infrastructure
- Perceived operational costs to accommodate multiple telecommunications providers such as additional power requirements or building access
- Method for determining how many telecommunications providers to allow access to
- Perceived need to obtain expertise in telecommunications issues
- Consistent policy for multiple locations (consistency in cable and wiring procedures as well as administrative and operational procedures, different property managers would often have different ideas with the authority to apply them as they saw fit)
- Hesitancy to complete an agreement in any location until a national policy has been determined

In addition to the issues described above, it appears that many building owners are attempting to use competition to create an additional revenue stream. In this regard, Sprint notes that the requests for compensation varied a great deal among the building owners. The requests for compensation ranged from no compensation to a percentage of

gross revenue. Listed below are a few of the methods of compensation, which have been requested of Sprint as building access was being negotiated.

- Access to buildings with no compensation for space or administrative costs
- Costs allocated based on the space required for the telecommunications equipment using the standard market rate for space in that building
- Compensation based on a percentage of the total gross revenue of Sprint in that building
- Flat rate fees over the life of the agreement
- Annual fees which grow each year based on the consumer price index (but don't reduce if the CPI were to decrease)
- One time administrative fees
- Annual administrative fees

To date, we have reluctantly agreed to pay for space and for reasonable administrative costs.

Finally, Sprint notes that the access agreements themselves varied. They have ranged from simple one-page documents to documents as much as 50 pages in length. The smaller building owners can feel overwhelmed by the size of some of the agreements suggested by BOMA and other special interest groups. Many of these agreements have been drafted by attorneys for building owners and are very one-sided with little protection or concern for the best interest of the tenant or communications companies. These agreements also range from straight forward language which can be implemented by property managers and telecommunications managers to agreements which read as complex legal documents which require attorneys for both companies in order to protect each company's interest. While the more complex document may be required in many situations, often the building size and lack of complexity to the telecommunications issues make the complex agreement a cumbersome activity for everyone. Examples of these agreements will be provided as part of the response to Question #3 of this data request.

Although this data request has not asked for input relative to problems faced by the Incumbent Local Exchange Company (ILEC), Sprint - Florida has also experienced some difficulties obtaining access to new buildings/developments within our own service territory. If the staff would like further details of these problems, arrangements can be made through my office to allow viewing under a confidentiality agreement.

2. Are you aware of any tenants in multi-tenant environments, where local telecommunications service was provided through the landlord, who were unable to obtain local service from an alternative provider during 1997? If so, please describe these instances.

Response: Sprint is not aware of any situations where the landlord is the telecommunications service provider. However, as Sprint described in question # 1 it has been denied the opportunity to provide service with its own facilities to tenants in

buildings throughout Orlando. Therefore, Sprint must use the incumbent local exchange carrier's (ILEC's) existing facilities. Being forced to utilize the ILEC's facilities by leasing the Unbundled Network Elements adds costs to the business and also limits Sprint's ability to compete in the data market, a critical market in today's telecommunications industry. (Data speeds are limited when connecting from the ALEC's equipment to the ILEC's equipment. A digital to analog conversion is required for each hand-off and the data speed is limited to approximately 19,000 bps after two conversions. The ALEC can provide the service with two conversions if providing it on their own facilities but it requires three if you hand it off to the ILEC's facilities.) Sprint has released customers from their contracts and returned them to BellSouth due to the data speed issue.

3. Please describe or provide a copy of any agreements designed to provide telecommunications service in multi-tenant environments, including marketing agreements, exclusive contracts, and leases.

Response: Attached for your use are examples of several different types of telecommunications agreements. These agreements vary according to their size and complexity as discussed in Sprint's response to question # 1. Included is attachment 1, which is a sample four page agreement that is mainly applicable to the smaller buildings. This is particularly true when the owner or management company is only responsible for one location. Also included are two sample agreements that are 50 pages in length. One, attachment 2, was drafted and presented to Sprint by attorneys representing a landlord while the other, attachment 3, was modified to be more representative of the interests of both parties. Attachment 4 is a sample agreement from another building owner.

4. Please provide any other information or material that you believe would be useful to staff in its analysis of access by telecommunications companies to customers in multi-tenant environments.

Response: Sprint's Attachment 5 is an article published in the Building Owners and Managers Association September 1998 issue of BOMA Bylines. The article titled Building Owners, Managers are the Rope in Telephone company Tug-of-War is a good representation of BOMA's position and lack of understanding of the issues.

First, there are two statements made in the article that should be corrected. The fifth paragraph includes a statement that CLECs, ALECs, and CAPs are all the same type of company when in fact they are not. CLECs and ALECs are competitive local service providers, however, CAPs are competitive access providers. It's true that a single company can operate as both, but there is a difference in the services provided by competitive access providers and competitive local service providers.

The same paragraph states that the "hardwires" between the telephone to the ILEC are available to IXCs at wholesale rates. Access for long distance service is not provided at wholesale rates and is unrelated to the wholesale rates paid for telecommunications

services provided under the Telecommunications Act or building access required for the provision of local service.

This clear misunderstanding of the provisions established by the Telecommunications Act of 1996 may have led to the misguided positions BOMA is taking. It's either this or the fact that they see an opportunity to extract revenue from new entrants where they have not or can not from the incumbent.

The last paragraph of the first page of the BOMA article states that their position is based on their understanding that competitive local service providers provide nothing of value and therefore shouldn't be allowed in without a fee. First, whether or not value is being offered should in no way be connected with whether or not payment is made. The determination of value is up to the end-user as they make choices in the new competitive marketplace. How this value decision made by an end user is in any way linked to whether or not payment is made for is unclear.

BOMA's misunderstanding of the telecommunications marketplace is also evident in their statement that competitive providers provide no value. The mere fact that competition is available is value to an end user in the form of lower prices, innovative service offerings and improved service. This doesn't imply that the ILECs don't provide these benefits, just that there are choices. In fact, many tenants require enhanced telecommunications options as a pre-requisite for leasing space. Competitive service providers provide alternatives over the ILEC and are viewed by some building owners as adding value to the building.

Further, BOMA clearly does not understand the scope of services being offered by competitive providers. They claim that all competitive providers are doing is reselling the ILECs dial tone, that doing so takes space and creates liabilities and creates administrative nightmares. Many competitive providers are offering creative and value rich packages of telecommunications services using their own facilities with and without the use of ILEC facilities. Sprint ION service is an example.

BOMA states that there are 170 different companies wanting to punch holes in their buildings and run cables through crawl spaces, set up equipment in engineering rooms, etc. In fact, the majority of these certified companies will be reselling ILEC service and won't require access at all. Another group will simply provision their own services using existing building cable. A small segment will require access in order to provision service to end users. It's unclear what the attendant risks, liabilities or administrative nightmares are for this small segment, since none are given. Once again, the competitive providers are providing services to the end-users just like the ILEC has. This does not automatically translate into the chaos described by BOMA.

BOMA states that access by competitive providers will result in higher rent. When in fact, the access required is the same access ILECs enjoy today. Just because it's another company getting the access, doesn't mean a tenant's rent should increase, unless the

building owners and managers are seeing that as their next opportunity. The incremental costs to building owners for having multiple providers is negligible. Most multi-tenant buildings that would be attractive to new entrants have full-time property managers and/or building engineers. The small amount of their time required to accommodate competitive providers would probably not require additional out-of-pocket expense.

To summarize, it's apparent that BOMA is painting a picture that is not realistic. Building access is required in order for competition to flourish. That is the intended goal of the Telecommunications Act. The positions taken by BOMA have and will continue to stifle competition as a result of building owners and managers either holding out for fees that are not justified or refusing to discuss access at all. In the end, the end-user is the one that suffers.