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Houston company plans new fiber optics network

Omaha family fortune provides seed capital for alternative city telecommunications system

By Victoria McNamara

A newly acquired telecommunications company is planning to install one more alternative fiber optics system in Houston. Once the system is in place, it will give businesses another option to Ma Bell.

Houston-based Network Communications Inc. was acquired in July by Chicago-based Metropolitan Fiber Systems Inc.

The 3-year-old NCI — now MFS of Houston — has obtained regulatory approval from the city of Houston and the company is now working on signing leases with 34 office buildings downtown, says Scott Yeager, former NCI president and now MFS Houston city director.

Backed by one of the nation's largest privately held companies, MFS intends to establish fiber optics networks in large metropolitan areas across the country.

Start-up costs for local metropolitan fiber optics networks range from \$5 million to \$7 million, and companies usually break even in two years, says George Tronsrue, MFS vice president for corporate planning.

A major attraction to the Houstonian market, he says, was the fact that Yeager and NCI had already started to pave the way for the company's growth in Texas by lobbying state and federal legislators, and by obtaining right of way from Houston Lighting & Power.

Yeager, for his part, says he spent three years designing the network and business plan, doing market studies, negotiating use of the conduits and "educating the city" on fiber optics in order to obtain the franchise.

Finding an investor was also a sticky process, he says. Most institutional investors either were not familiar with the concept of fiber optics, or had "pulled in their horns" just after the oil crash. One investor who had agreed to sign a contract canceled the day the stock market crashed.

"I waited to find the right investor," Yeager says. "I didn't want to do this piecemeal."

MFS accomplished the acquisition of NCI through an undisclosed stock exchange, Yeager says.

MFS, founded in 1988, is a subsidiary of Kiewit Communications Company Inc., which is a member of the multibillion-dollar Peter Kiewit Sons Inc. family of companies.

The Kiewit Family of Omaha, Neb., also has interests in packaging (Continental Can), mining and construction and serves as general contractor for MFS installations throughout the country.

MFS has built fiber optics systems in Chicago, Philadelphia, Baltimore, Boston and Minneapolis. The company is currently building systems in Los Angeles, San Francisco and Houston, and plans to expand to Dallas, New York and Washington D.C. by September, Tronsrue says.

So far, MFS of Houston has obtained "a handful" of signed leases, and hopes to expand its network to business centers outside downtown, including the Galleria, North Belt, NASA and the Medical Center.