

Profile: Williams Communications

Williams hoped that lightning would strike twice – in exactly the same way and in exactly the same place. It was the only carrier to be a primary participant in both the first and second races to cover the United States with fiber. As explained in Chapter 1, Williams sold its first long-distance network, WilTel, to WorldCom in 1994. The Williams Companies, primarily a pipeline business, thought it could do the same again by building Williams Communications. It was wrong. Williams' second attempt, originally named Vyvx, was formed as a video distribution subsidiary in 1995 with assets that were withheld from the sale to WorldCom. It began to build a new network in 1997 and was spun off from the parent company in 2001 through an initial public offering (IPO).

The plan was not particularly ambitious. The executives that ran Williams Communications came from The Williams Companies, which had a corporate culture more akin to its buyers, utility companies, than its suppliers, energy producers and refiners. The one good idea that Williams had was the original WilTel network. Its lack of creativity would show on its second attempt to enter the long-distance business. It planned to do almost exactly what it did the first time around: blow fiber through old gas and oil pipelines. It added some international ambitions this time around, but the international routes were mostly acquired through bandwidth swaps and the purchase of indefeasible rights to use (IRUs) on other networks rather than building its own capacity. Even with this comparatively simple business plan, Williams spent more than \$7 billion in less than six years building a 33,000-route-mile fiber-optic network.

One lesson Williams learned when building the original WilTel network in the early 1990s was that serving end customers was hard work. On its second attempt at building a network, it built a carriers' carrier network, selling bandwidth primarily to other carriers rather than to end-users. Initially, the carrier contracts made Williams look good because it sold capacity to other carriers in large chunks, making each deal a bigger event. Not having to serve end users also allowed it to carry a relatively low burden of customer support costs. But the wholesale bandwidth contracts ended up being very large bags to be left holding when the new carriers went into bankruptcy proceedings.

Once revenue stopped growing and many of its customers went into bankruptcy, Williams Communications went through bankruptcy itself. It emerged from Chapter 11 bankruptcy protection in October 2002. In an apparent admission that life wasn't better the second time around, the company was renamed WilTel Communications Group (WilTel was the name of Williams' first, more successful entry into the long-distance business) as it exited from bankruptcy. In bankruptcy, the company's debt load was pared from \$7.15 billion to less than \$500 million. WilTel is now owned by its previous debt holders. Williams Companies, the original parent and largest shareholder, ended up with no stake in the company.