

# Pacific communications inc negotiations essay

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## **BACKGROUND OF PACIFIC COMMUNICATIONS INC.**

Pacific Communication Inc. is a telecommunications company that handles local line communications between seven states in the western part of the US. Telephone lines, data networks and the like are all handled by Pacific in these West Coast states, including California, Oregon and Washington. They have existed since 1966, at first setting up telephone lines between these western states, and gradually moving into cell phone services and broadband in the past ten years.

They have an AA S&P Rating, and they handle an ASC type (Asynchronous Signal Checking) broadband system. In 2006, Pacific accrued \$ 20 billion in revenues, \$3 billion of which was profit; their current capital assets number at \$75 billion. They currently have 25 million subscribers, 3 million of which use broadband data services. They are often in direct competition with Central Digital, Inc. over expansion of data communication lines in the United States.

Pacific's stance on ASC technology is that it does not provide the quality of service that DSC provides, but it is far more cost effective and prevalent for most of what Japanese customers need. In 2011, Pacific would like to expand their business reach internationally, providing broadband services in other countries such as Japan. Getting access to this second channel of data communications networks would facilitate a substantial profit for Pacific, and allow them a much bigger business market to take advantage of.

## **PUBLIC INTEREST**

### **POINTS OF NEGOTIATION:**

Portable digital communications (PDC) are the wave of the future; more and more people use Internet on their mobile phones, and they need access to a network in order to do so.

The public would be very interested in an affordable, convenient, fast data network that allows them to use applications, web browsers, email and the like. This would allow them greater interconnectivity and the chance to keep up in an increasingly fast-paced, electronic world.

While NTT already has the first channel set up, it could use a greater reach, as well as a higher profile. A world class competitor is needed on the Japanese market to cooperate with NTT and lend them a greater sense of authority and clout. Pacific can provide that – a trusted international name that can elevate the status of NTT significantly in the trust of the public.

### **QUESTIONS/INQUIRIES:**

How important is the support of the public to NTT when setting up a new program?

What is the marketing and public relations involvement and exposure of NTT on the general market?

What level of recognition or exposure does NTT want Pacific to have in any marketing or public relations campaigns made, if this deal were to go through?

## **FINANCIAL COMMITMENT**

### **POINTS OF NEGOTIATION:**

In order to secure this deal, Pacific is willing to spend \$1.2 billion in order to create the infrastructure facilities needed to create this PDC channel. \$900 of it would come from the company itself, showing how committed we are to making this work. Our personal investment guarantees involvement and commitment to the project.

However, we cannot go above \$250 million in commitment for the overall deal without getting more help, including backers. If completely necessary, we can go \$500 million on the first stage. For the first two years of involvement, \$800 million will be required, making our offering of \$900 million more than generous. That figure would be our absolute ceiling of financial involvement.

### **QUESTIONS/INQUIRIES:**

What level of financial commitment can NTT bring to the table when creating this infrastructure?

Are there other personal backers and consortia that can back up our efforts to create a channel?

Are the figures given to you by us satisfactory, from a financial standpoint?

What are your expectations for our financial commitment to the project? Is there a way to bridge the two ideas?

## **MPT AND NTT COMMITMENT REQUIRED**

### **POINTS OF NEGOTIATION:**

While we are excited about this deal, Pacific needs to make a return on its investment as well. As a result, Pacific demands a 16 year second channel license from MPT, granting exclusive rights for Pacific to manage the system and recover profits from that use.

We understand that 10 years is the typical shelf life for this license, but this increased level of commitment necessitates the extended contract; what's more, MPT already has a good working relationship with NTT (as it has for the past sixty years), and so nothing would be lost for continuing to contract with them, and us by extension.

NTT must give Pacific another 16 year commitment to manage these interconnect services. This would mesh with the MPT contract, and allow one large, simple arrangement that benefits all – there would be no overlap of a new company, and all three companies would have a consistent deal with each other.

Is 16 years satisfactory for a contract? Is there a compromise in time that can be arranged between all three companies (13 years, 14?)

### **How important is consistency to NTT and/or MPT when working with a company for a long-term deal?**

What else would be needed of Pacific to make both NTT and MPT more comfortable about extending a contract for interconnect services?

## **EXPANSION**

### **POINTS OF NEGOTIATION:**

Provided this deal goes over well, we need to consider the possibility of expansion, ideally through Pacific. The physical network should be up within six months, but for testing and quality assurance purposes, an entire year should be allotted before the network properly goes up for public consumption. In the event that NTT wishes for the network to go up sooner, we can instead ask for a nine month grace period.

Within 3 or 4 years, we can add extra services to the network that will be additional incentives for customers, like automatic polling, databoxes and ancillary conference call technology. This can be done sooner if NTT wishes, though we would have to charge extra to our customers to make up for the added work, which may turn them off the service.

Our expectations for the market are to have 150, 000 subscribers within the first year, 1, 200, 000 subscribers within 3 years, 2. 2 million subscribers within 5 years, and 7. 5 million subscribers within 10 years. There is the potential for even more than that, if the market performance goes well.

### **Does NTT require us to have the network up sooner?**

Are there marketing/advertising methods to increase the number of subscribers we may get in the years after the second channel opens?

## **COOPERATION WITH CENTRAL**

### **POINTS OF NEGOTIATION:**

In a perfect world, Pacific would very much like to be the exclusive rights holder for the second PDC channel that NTT offers. Our ASC network is already synchronous with NTT's interconnect system, and is much more affordable than Central's DSC system, despite its slightly higher performance rates. Whatever we can do to secure an exclusive deal, we would like to do.

However, in the event that NTT is adamant that Central be involved, Pacific is willing to allow them limited involvement in the second PDC channel. 10% to 15% of the network could be handled by Central's services, if they are so inclined; we may be willing to go up to 20%, but any bigger piece of the pie and Pacific does not stand to make a return on its investment, and will absolutely have to take the offer off the table.

#### QUESTIONS/INQUIRIES:

What would NTT want from a collaboration with Pacific and Central?

How would NTT integrate an NSC channel into their own DSC systems?

Would NTT stand to make a profit from the higher prices Central would charge for their DSC system?