



## Palo Alto council eager to expand city's fiber network

While waiting for Google, city embarks on its own plan for citywide high-speed Internet

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After more than a decade of big dreams and bigger disappointments, Palo Alto officials on Monday resurrected their plan to deliver ultra-high-speed Internet to the city's masses when they approved a pair of contracts that could pave the way for the long-awaited "fiber to the premise" system.

The effort, which entails expanding the city's existing 41-mile fiber network and giving residents and businesses throughout the city gigabit-speed Internet access, has been flickering on and off for years. Despite strong enthusiasm from council members past and present, the project has been chronically beset by woes and setbacks. These included the economic downturn, unfavorable economic projections and deep uncertainty over whether and how the network will actually work. The city last **promising effort fell apart in January 2009** after a consortium of Internet firms that was commissioned build the new \$44-million system saw its funding collapse in the global recession and requested a public subsidy, which the City Council refused to make.

Since then, Palo Alto's dream of citywide Internet has been realized in cities all over map, including Austin, Provo, Utah, Kansas City, Mo., Chattanooga, Tenn., and Lafayette, La.

With the local economy now thriving and the city's **Fiber Optic Fund enjoying a healthy uptick**, the council voted 7-0, with Pat Burt and Cory Wolbach absent, to approve two contracts worth a collective \$276,594 for the creation of a Fiber to the Premise master plan and a companion plan focusing on Wireless services. The funds would come out of the city's Fiber Optic Fund, which draws money from the large commercial customers that currently use the city's dark fiber network and which now totals about \$18 million.

The plan is set to be completed in May, after which point the council will have to decide whether to proceed with the project and, if so, which business model to adopt for the newly expanded municipal utility. Under the newly approved contracts, the firm Columbia Telecommunications is charged with assessing the city's infrastructure, evaluate the impacts the system would have on the city's right-of-way and utility equipment; analyze the network requirements; prepare an engineering study; design the network; and offer a recommendation about the feasibility of a Fiber to the Premise Network and the best business model to pursue.

One option, Fleming said, is the retail model in which the city provides services directly to the community. The city can also take the "wholesale" option, where it owns the infrastructure and then invites Internet service providers to use the city's network to offer services. The new study will evaluate the upsides and downsides of both models.

"The focus of this is to figure out what is the best model for Palo Alto," Fleming said.

Even as the city is laying the groundwork for a municipal system, it remains in the running for a fiber network installed by Google. The tech giant announced a year ago its plan to bring **Google Fiber to 34 communities**, including five in the Silicon Valley. Palo Alto made the cut, along with Mountain View, Sunnyvale, Santa Clara and San Jose. The company had initially said it would make a decision by the end of 2014, but that self-declared deadline has come and gone without bringing any resolution to Palo Alto. While Silicon Valley waits for Google's decision, the company announced a week ago its plan to bring fiber networks to cities on the other side of the country, including Atlanta, Charlotte, Nashville and Raleigh-Durham.

Jonathan Reichental, Palo Alto's chief information officer, said Google has informed the city that its decision-making process will continue for the remainder of 2015 and that Palo Alto is "very much in the running." But given the uncertainty over Google's decision and the 18 years that Palo Alto has already spent mulling fiber, Councilwoman Liz Kniss spoke for all her colleagues when she argued that it's time to act.

"I think it would be embarrassing if we didn't move forward," Kniss said. "It's absolutely time to do this. We've been waiting a lot of time. We've been talking about this for two years and one month since I've been back on the council. We need to move in some direction."

"I think this is the right direction, but I think this is the only way we'll find out whether or not we're heading in the right direction."

One of the major challenges of Palo Alto's new venture will be competing for customers with incumbent carriers of high-speed Internet, namely Comcast and AT&T. Jim Fleming, a senior manager at the Utilities Department, said any newcomer looking to challenge the incumbent carriers needs to have a good

marketing and customer-acquisition plan.

"You have to know the market," Fleming said. "And the incumbents are really going to come after you. They just will. That's the name of the game. They're very good at doing this. They have a lot of practice at this point and they will attempt to run you out of town."

These hurdles did little to deter the council, which enthusiastically voted to move ahead with the effort. Council members agreed that a fully built-out fiber system would be a useful and valuable public utility. Some likened it to other city-owned utilities, including gas, water, electricity, and made a case for moving ahead with a municipal system regardless of what Google decides.

"I think you can make a pretty strong case that this stuff, especially the physical infrastructure, is a natural monopoly as probably a public good and we should probably own it," Councilman Eric Filseth said.

Several members of a citizen advisory committee advocated for a locally owned system over one built by Google. Andy Poggio, who serves on the committee, said he can't think of one successful large telecommunication company that "had the opportunity to abuse monopoly power and didn't take advantage of that opportunity." Richard Brand, who also serves on the committee, made a similar case for a municipal network.

"We want to control it," Brand said. "We have our own utilities. Let's treat Fiber to the Premise like we treat our utilities and not turn it over to a third party." Councilman Tom DuBois agreed and said that while Google Fiber may ultimately be an option, "I don't think we should be waiting on Google." Rather, he proposed to go ahead with the groundwork on a plan for a "city-owned system that we can control." He also observed that other cities, including Lafayette, La., overcame the hurdles thrown at them by the incumbent carriers in adopting its fiber system. "Nothing against Lafayette, but those cities stood up to incumbents and it paid off," DuBois said. "I think it's time for us to move forward."

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