



## Council fast-tracks fiber Internet for Palo Alto

*Ultra-high-speed network will carry on innovation, supporters say — but some fear risks to city*

by [Arden Pennell](#), Palo Alto Online Staff, Uploaded: Tuesday, July 15, 2008, 2:31 AM

After being assured of few or no financial risks, the Palo Alto City Council fast-tracked a plan for a citywide, ultra-high-speed fiber Internet network for residents and businesses Monday.

"I do believe this is a watershed project which will keep Palo Alto ... in the [global] center of a knowledge economy," Councilwoman Yoriko Kishimoto said.

The city will draft a letter-of-intent with a consortium of Web firms to make available much of its current fiber assets -- estimated by the consortium to have a value of \$13 million -- in exchange for the consortium to build, own and operate a roughly \$44 million fiber network citywide.

The primary city asset is a "fiber ring" looping through the city that it built for about \$1.8 million in the 1990s and which has just been paid off from leasing portions of the "dark fiber" capacity.

In a unanimous vote -- council member Jack Morton was absent after recusing himself due to a possible conflict of interest -- the council chose a detailed letter-of-intent plan rather than a slower option of asking the consortium to draft a full-blown business plan.

The letter, which will outline key terms and conditions as a basis for negotiations, will come back before the council in September.

The network could begin operating before year's end, according to the proposal from Canadian consortium leader Axia NetMedia and partners 180 Connect and PacketFront.

The council vote capped a 12-year city exploration of fiber that has short-circuited multiple times, often due to concerns about costs and risk. But this proposal requires no cash contribution from the city. Supporters heralded it as a crucial step to continuing the local legacy of innovation.

"That'll just make it more likely that the next big idea and the next set of inventors are here in Palo Alto," resident Rick Dodd said during public comment. High technology allows for unforeseen creativity, he asserted. Microprocessors were originally thought to be most helpful for the mundane task of controlling stoplights -- who knows what could come from fiber, he said.

The network will lend the city a leading business edge, Kishimoto said. "I do believe this is a watershed project which will keep Palo Alto ... in the [global] center of a knowledge economy," she said.

The network would offer speedy video, voice and data capabilities at speeds of at least 100 megabits per second, according to the plan from Axia and partners PacketFront and 180 Connect.

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That's orders of magnitude faster than current local services, which typically range between 1 and 3 megabits per second, according to resident Andy Poggio, a member of a three-person mayoral advisory committee on broadband.

Under the consortium's proposal — which provides the basis for the upcoming letter-of-intent -- the assets Palo Alto must provide the consortium would amount to \$13 million and include much of Palo Alto's current fiber infrastructure. But Mayor Larry Klein said that figure doesn't mean much to the city because it's only an estimate of the value of the assets, while it may be important to the consortium.

The city completed a dark fiber ring in 1997 on which about 45 customers currently rent dark-fiber service. The ring is called "dark" because customers must connect themselves to the ring before it "lights up" with data, according to Bern Beecham, another advisory-committee member.

Under the motion passed Monday, 36 dark fibers of the city's 144-288 fibers would be transferred to the consortium at a discounted bulk rate. The consortium would also assume operation of the city's current dark-fiber contracts, which only this year began to profit. As well, fiber installed in an earlier residential trial would also be transferred to the consortium.

The city would also agree to use "commercially reasonable" efforts to buy broadband service from a provider on the new network, according to the motion. Yet the city would incur no debt and spend none of the General Fund to finance the project — key factors in its popularity among council members.

And after 25 years, the city could either renew the contract with the consortium — or buy the entire infrastructure for \$1, according to the proposal.

The city's agreement should also indemnify the city against third-party legal action, Kishimoto specified in her motion, a clause designed to head off lawsuits from Web firms such as Comcast that take issue with broadband competition by public agencies.

She said the city must be able to take its assets back, should the entire project fail.

The motion also declined to waive utilities fees for the consortium, a request city lawyers said violated the City Charter.

Yet those safeguards weren't enough for all council members to feel comfortable with the motion. Before the unanimous final vote, council members Yiaway Yeh and Sid Espinosa warned against adopting the project without a business plan.

The business plan was recommended by city staff in a presentation from Joe Saccio, deputy director of the administrative services department. A business plan would allow staff to research details such as construction cost estimates and if there were enough retail companies interested in providing access on the proposed network, Saccio said. Municipal broadband projects elsewhere have faltered, making caution on the project important, he said. If the consortium's project fails, the city risks being expected to operate the massive network itself, he said.

Yeh said financial forecasts are crucial and called for a business plan. Espinosa argued the city's planned project with the consortium virtually creates a new utility about which all specifics should be known.

But the advisory committee on broadband advised against requiring a plan. Member Bob Harrington said financial specifics would be nailed down with a letter-of-intent — and a plan would put the consortium at a disadvantage by airing its strategies before competitors.

Mayor Larry Klein said the plan was unnecessary because the city is not a business partner. "I don't see this as a public-private partnership. ... We've been very clear that we're not going to put any cash into the project. ... It's not for us to second-guess it because they're putting in their money," he said. A plan would only delay the project and provide information the city wasn't qualified to assess, he said.

After a motion by Yeh and Espinosa to require a plan was defeated by all other council members, the council unanimously approved the letter-of-intent motion from Kishimoto.

The fiber plan sparked dismay in some residents and celebration in others.

Resident Michael Eager, who said he has advocated for high-speed fiber for a decade, urged the city to expedite the process with the letter-of-intent. "Nobody's going to criticize the City of Palo Alto for rushing into this," he said, triggering chuckles in the council chambers. The current proposal is speedy and symmetrical – meaning upload and download times are the same – meeting much of what folks have long wanted, he said.

A couple of dark-fiber customers spoke out against the proposal to transfer the city's contracts to the consortium.

"You're still a utility and you have obligations," customer Bob Evans of the Fiber Internet Center told the council. "My business is too valuable to entrust to anyone to work on other than your staff," he said, and submitted a re-worked version of an earlier city presentation emphasizing residential fiber service.

Yet dark-fiber customer Brad Horak said, while he was nervous about outages at work when the network management was transferred, the community benefits of the super-fast service convinced him to support it.

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